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ROBERT J. DOLE, *Chairman*

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STAFF DATA AND MATERIALS ON THE STATUS OF SOCIAL SECURITY FINANCING

INTRODUCTION

The social security programs of old-age, survivors, disability, and hospital insurance operate on a self-financing basis whereby benefit payments are met out of the revenues raised by earmarked payroll taxes. Because confidence in the security provided by the programs is based on the ability of the social security tax revenues to cover benefit obligations, Congress has traditionally insisted on periodic and thorough analyses of the actuarial status of the programs both over the short-range and over a long-range period extending well into the future. In particular, the law requires that such an analysis of the status of each of the trust funds be prepared annually under the direction of the Board of Trustees of those funds. (The Secretaries of Health and Human Services, Labor, and the Treasury constitute the Board of Trustees.) The Trustees are required to transmit these annual reports to the Congress no later than April 1 of each year. Once transmitted, the Trustees' reports and their findings as to the financial status of the funds form the usual benchmarks for discussion of the short-range and long-range status of the programs.

The projections contained in the 1982 reports of the Board of Trustees reveal that the social security system is seriously underfinanced in both the short- and long-range. To ensure that benefits continue to be paid in a timely manner, corrective action will be required early in the 98th Congress.

This document describes the current manner of financing the social security programs, the means by which financial soundness is measured, and the current financial condition of the system both in the short and long term. For this latter purpose, the staff has obtained estimates from the Social Security Administration (SSA), the Health Care Financing Administration (HCFA), the Congressional Budget Office (CBO), and the staff of the National Commission on Social Security Reform. The projections provided by SSA and HCFA are based on the intermediate (II–B) and pessimistic assumptions contained in the 1982 Trustees' reports. The CBO estimates are based on CBO's Fall of 1982 economic assumptions. The forecasts provided by these organizations include the estimated effects of the "Tax Equity and Fiscal Responsibility Act of 1982" (P.L. 97–248).

I. Method of Financing the System

BASIS OF SOCIAL SECURITY FINANCING

The Constitution provides that "no money shall be drawn from the Treasury, but in consequence of appropriations made by law." For most Federal programs, funding is made out of the general revenues on an annual basis in one of the several departmental appropriations acts. Social security operates on a totally different basis. The Social Security Act provides for an appropriation out of the Treasury and into specified trust funds of amounts exactly equal to the amount of social security taxes imposed on employers and employees and on self-employed persons. This is a permanent appropriation and transfers to the trust funds are made on a daily basis consistent with the pattern of tax collections. In addition, a relatively small amount of revenue flows into the trust funds from general revenue reimbursements and from interest on investments.

Once moneys have been transferred to each of the trust funds, they are available to be expended to meet benefit costs without any further action on the part of the Congress. (Trust fund moneys are also available for administrative costs of social security, but may be expended for that purpose only up to limits established in annual appropriations acts.) If benefit costs should exceed the available balances in the trust funds, there is no statutory authority to meet the deficit from general revenue appropriations.

Three social security programs are designed to operate on this self-sustaining basis. The old-age and survivors insurance (OASI) program pays benefits to retired workers and their dependent spouses and children and to the surviving spouses and children of deceased workers. The disability insurance (DI) program pays benefits to disabled workers and to their dependent spouses and children. The hospital insurance (HI) program, part A of medicare, provides for the costs of hospitalization and certain skilled nursing home and home health care for social security beneficiaries who are age 65 and older or who have been on the DI rolls for more than 2 years.

For each of these programs there is a separate trust fund which receives a share of the overall social security tax. The proportion of the tax each year that is allocated to each trust fund is specified by law.

Interfund borrowing

Prior to legislation enacted in 1981 (P.L. 97-123), each social security program had to meet its benefit obligations through the balances in its own trust fund. That is, the financial operations of the OASI, DI, and HI programs were completely independent. The 1981 legislation authorized "interfund borrowing" whereby on a temporary basis the surplus balances in any one trust fund may be used to help finance benefits paid out of the other trust funds. Borrow-

ing is authorized only through December 31, 1982 in amounts not to exceed those which are required by the borrowing fund to ensure that benefits can be paid for an additional six months (i.e., as of December 31, 1982, the Secretary of the Treasury may borrow enough funds to cover benefits through June of 1983). Any such loans are to be repaid with interest.

The first such transfer, of $581 million, was made from the DI trust fund to the OASI trust fund on November 5, 1982 to help pay retirement and survivors' benefits. A second transfer of $3.4 billion, was made to the OASI trust fund from the HI trust fund on December 7.

Supplementary Medical Insurance

Supplementary Medical Insurance (SMI), referred to as Part B of medicare, is a fourth social security program. A person who is entitled to HI benefits will be automatically enrolled in SMI, but he may decline coverage. Other persons 65 and older, who are not eligible for the HI benefits, can enroll in SMI at certain designated times. Generally, SMI covers the cost of services furnished by doctors, hospital outpatient facilities, home health agencies and various other medical services.

The SMI program, unlike the other three programs, is not compulsory and is not financially self-sustaining. This program receives no proceeds from the social security tax and is heavily supported by the general fund of the Treasury. Originally (in 1965), 50 percent of the cost of the program was borne by beneficiaries, through monthly premiums, with the other 50 percent borne by the general fund of the Treasury. Today, beneficiaries bear 25 percent of the cost with the remainder borne by the general fund. Because of its very different financing basis, SMI is generally not considered in discussions of social security financing.

SOURCES OF INCOME

Currently, there are 116 million workers (including those in part-time and temporary jobs) and their employers who pay social security taxes. The social security payroll tax is a composite of three separate tax rates supporting OASI, DI, and HI. (Actually there are only two separate taxes in the law—OASDI and HI—but the OASI/DI allocations are statutorily specified). All of the receipts of the payroll tax are credited to the three social security trust funds. Excess amounts not required to meet current benefits and administrative expenses are invested in U.S. Government securities. Accumulated assets are not generally transferable between trust funds. However, the temporary interfund borrowing authority in present law does permit such transfers on a loan basis, subject to repayment with appropriate interest.

The three trust funds also receive payments from the general fund of the Treasury for various limited expenditures which the Congress believes are more appropriately financed by general taxation. For example, the trust funds are reimbursed from general revenues for costs attributable to social security credits which are provided on the basis of military service during World War II. In addition, the three trust funds receive payments consisting of interest on invested assets.

In fiscal year 1981, payroll tax revenues accounted for 97.8 percent of the income to the OASDI programs, transfers from the general fund for various expenditures accounted for 0.5 percent, and interest on investments accounted for 1.7 percent. As for the HI trust fund, 92.6 percent of receipts consisted of tax revenues, 2.5 percent represented transfers from the general fund for various expenditures, and 4.0 percent represented interest on investments.

Tables 43–45 in the final section of this print detail the composition of social security income over the years as among payroll taxes, general revenues, and interest income.

CURRENTLY SCHEDULED TAX RATES AND TAXABLE EARNINGS BASE

Tax rates

The tax on earnings is paid by employees, employers and the self-employed. The schedule of tax rates in present law is shown in the following table:

TABLE 1.—TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS, 1977 AND AFTER

[In percent]

Calendar years	OASI [1]	DI [2]	OASDI	HI [3]	Total (OASDHI)
EMPLOYERS AND EMPLOYEES, EACH					
1977	4.375	0.575	4.95	0.90	5.85
1978	4.275	.775	5.05	1.00	6.05
1979	4.330	.750	5.08	1.05	6.13
1980	4.520	.560	5.08	1.05	6.13
1981	4.700	.650	5.35	1.30	6.65
1982–84	4.575	.825	5.40	1.30	6.70
1985	4.750	.950	5.70	1.35	7.05
1986–89	4.750	.950	5.70	1.45	7.15
1990 and later	5.100	1.100	6.20	1.45	7.65
SELF-EMPLOYED PERSONS					
1977	6.1850	0.8150	7.00	0.90	7.90
1978	6.0100	1.0900	7.10	1.00	8.10
1979	6.0100	1.0400	7.05	1.05	8.10
1980	6.2725	.7775	7.05	1.05	8.10
1981	7.0250	.9750	8.00	1.30	9.30
1982–84	6.8125	1.2375	8.05	1.30	9.35
1985	7.1250	1.4250	8.55	1.35	9.90
1986–89	7.1250	1.4250	8.55	1.45	10.00
1990 and later	7.6500	1.6500	9.30	1.45	10.75

[1] Old-age and survivors insurance.
[2] Disability insurance.
[3] Hospital insurance (part A of medicare).

The earnings base

In 1982, the tax applies to the first $32,400 of an individual's earnings. The amount of earnings subject to the tax rises each year

depending on the increase in average wages that occurs from one year to the next. The amount of earnings subject to social security taxes in 1983 will rise to $35,700.

The table which follows shows the projected increase in the earnings base over the next several years.

TABLE 2.—ANNUAL EARNINGS SUBJECT TO SOCIAL SECURITY TAX

	Actual	CBO	Intermediate II–B	Pessimistic
Calendar year:				
1980	$25,900			
1981	29,700			
1982	32,400			
1983 [1]	35,700			
1984		36,900	37,500	37,200
1985		39,000	40,500	39,900
1986		41,700	43,800	42,900
1987		44,700	46,800	46,800
1988		47,700	50,100	51,000
1989		51,000	53,400	55,500
1990		54,600	57,000	60,300

[1] The taxable earnings base for 1983 was recently determined to be $35,700.

Table 3 shows how scheduled increases in the tax rate combined with expected increases in the amount of earnings subject to the tax are likely to produce sharp increases in the amount of taxes paid by average and maximum earners over the next several years.

TABLE 3.—PAYROLL TAXES PAID BY AVERAGE AND MAXIMUM EARNERS 1980–90 [1]

Calendar years	Average earner [2]		Maximum earner [2]	
	Employer and Employee each	Self-employed	Employer and Employee each	Self-employed
1980	$767.08	$1,013.59	$1,587.67	$2,097.90
1981	904.02	1,264.27	1,975.05	2,762.10
1982	971.21	1,355.35	2,170.80	3,029.40
1983	1,049.49	1,464.58	2,391.90	3,337.95
1984	1,134.07	1,582.62	2,512.50	3,506.25
1985	1,275.99	1,791.81	2,855.25	4,009.50
1986	1,382.05	1,932.94	3,131.70	4,380.00
1987	1,473.58	2,060.96	3,346.20	4,680.00
1988	1,570.73	2,196.83	3,582.15	5,010.00
1989	1,670.50	2,336.36	3,818.10	5,340.00
1990	1,894.74	2,662.54	4,360.50	6,127.50
1980–90 Cumulative	14,093.46	19,661.85	31,731.82	44,280.60

[1] Based on 1982 Trustees' report intermediate II–B assumptions.

[2] An average earner is defined as a worker with annual earnings equal to the average earnings reported to IRS; a maximum earner is defined as one with annual earnings equal to the taxable earnings base.

As illustrated, the worker with average earnings paid $971.21 in taxes in 1982, matched by his employer. The same worker is expected to pay almost twice that amount, $1,894.74, in 1990. The tax payment of an employee with earnings equal to the taxable earnings base (i.e., one who pays the maximum tax) is expected to rise from $2,170.80 in 1982 to $4,360.50 in 1990, matched by the employer's tax. The increase in taxes between now and the end of the decade reflect the 3 scheduled tax increases now in the law (for 1985, 1986, and 1990), and the continuous rise in the earnings base.

BRIEF HISTORY OF PAYROLL TAX STRUCTURE

Collection of payroll taxes began in 1937. Since that time the financing of the system has been amended more than 20 times. The tax rate has risen 16 times as has the earnings base. Beginning with a tax rate on employees and employers, each, of 1 percent on earnings up to $3,000 annually, the tax structure remained constant until 1950 when the rate rose to 1.5 percent. (Earlier increases had been scheduled, but legislation precluded them from going into effect.) In 1951, the earnings base increased for the first time to $3,600, and the self-employed were brought under the system with a tax rate of 2.25 percent, i.e., 1.5 times the employee/employer rate. The employee/employer rate rose again in 1954 to 2 percent. Coupled with many expansions in the system (the introduction of disability insurance and medicare foremost among them), more than a dozen changes in the financial structure of the system have been made since the early 1950's.

Today, the maximum employee tax is $2,170.80 (6.7 percent times $32,400) and the maximum tax for a self-employed worker is $3,029.40 (9.35 percent times $32,400). In 1983, the maximum employee tax is scheduled to be $2,391.90 (6.7 percent times $35,700) and the maximum tax for a self-employed worker is $3,337.95 (9.35 percent times $35,700).

According to a study by the Social Security Administration, 24 percent of households paying social security taxes pay more to finance social security than they pay to the Internal Revenue Service in Federal income taxes. If it is assumed that the employee ultimately bears the cost of the employer's tax through depressed wages, 51 percent of taxpaying households pay more in social security taxes than in income taxes (based on 1979 data).

A summary of the year-by-year tax rates and taxable earnings bases since 1937 is provided in the following table.

TABLE 4.—HISTORICAL SOCIAL SECURITY TAXES

Calendar years	OASDHI tax rate and taxable earnings base			Maximum OASDHI tax payment	
		Tax rate			
	Taxable earnings base	Employer and employee, each	Self-employed	Employer and employee, each	Self-employed
1937–49	$3,000	1.0	.....	$30.00	.....
1950	3,000	1.5	.....	45.00	.....
1951–53	3,600	1.5	2.25	54.00	$81.00
1954	3,600	2.0	3.0	72.00	108.00
1955–56	4,200	2.0	3.0	84.00	126.00
1957–58	4,200	2.25	3.375	94.50	141.75
1959	4,800	2.50	3.75	120.00	180.00
1960–61	4,800	3.0	4.5	144.00	216.00
1962	4,800	3.125	4.7	150.00	225.60
1963–65	4,800	3.625	5.4	174.00	259.20
1966	6,600	4.2	6.15	277.20	405.90
1967	6,600	4.4	6.4	290.40	422.40
1968	7,800	4.4	6.4	343.20	499.20
1969–70	7,800	4.8	6.9	374.40	538.20
1971	7,800	5.2	7.5	405.60	585.00
1972	9,000	5.2	7.5	468.00	675.00
1973	10,800	5.85	8.0	631.80	864.00
1974	13,200	5.85	7.9	772.20	1,042.80
1975	14,100	5.85	7.9	824.85	1,113.90
1976	15,300	5.85	7.9	895.05	1,208.70
1977	16,500	5.85	7.9	965.25	1,303.50
1978	17,700	6.05	8.1	1,070.85	1,433.70
1979	22,900	6.13	8.1	1,403.77	1,854.90
1980	25,900	6.13	8.1	1,587.67	2,097.90
1981	29,700	6.65	9.3	1,975.05	2,762.10
1982	32,400	6.70	9.35	2,170.80	3,029.40
Cumulative:					
1937–82				16,936.49	22,876.50
1972–82				12,765.29	17,385.90

As an indication of the growth of social security taxes in recent years, the maximum an individual who turns 65 next year (1983) could have paid into the system as an employee in the 46-year period 1937–1982 is $16,936, matched by his employer. Of this amount, three-fourths, or $12,765, would have been paid in the period 1972–1982. Even after adjustment for inflation, well over half of such a worker's payments into the program would have

taken place in the last decade. (See Table 41 in Section VIII of this print which details social security taxes over the years for the minimum wage, average, and maximum earner.)

Table 5 below shows how increases in the amount of earnings subject to social security taxes have led to a steady increase in the proportion of workers whose total earnings are taxable. Whereas in 1950, 29 percent of workers in covered employment had earnings in excess of the earnings base, today the figure stands at less than 7 percent. In other words, 93 percent of the workers in covered employment now have their entire earnings taxed under social security.

TABLE 5.—TAXABLE EARNINGS BASE RELATIVE TO THE EARNINGS OF COVERED WORKERS, 1940–82

Calendar year	Taxable earnings base	Average earnings in covered employment	Proportion of covered employees with earnings in excess of earnings base
1940	$3,000	$1,195.00	3.4
1950	3,000	2,543.96	28.9
1960	4,800	4,007.12	28.0
1970	7,800	6,186.24	26.0
1975	14,100	8,630.92	15.1
1980	25,900	12,513.46	8.4
1981	29,700	13,594.27	7.1
1982	32,400	14,495.68	6.6

Source: Social Security Statistical Supplement, 1980, and Office of Research and Statistics, SSA.

WORKERS WITH COVERED EARNINGS

In 1940, approximately 35 million persons worked in employment covered by social security and thereby were paying taxes and gaining eligibility for future benefits. In 1982, 116 million people will work in a full-time, part-time or temporary job covered by social security. The growth in the number of people in employment covered by social security has resulted from overall growth in the labor force and employment, and legislated expansions in the number of occupations covered by social security.

Today, coverage, or participation in social security, is compulsory for most types of employment. However, about 10 percent of jobs are not covered by the program. The majority of these noncovered positions are in the Federal, State and local governments and nonprofit organizations. (Certain self-employed and part-time workers are exempted from the program largely because of their minimal annual net earnings, the irregularity of their work schedules and the administrative difficulty of maintaining their earnings records.)

TABLE 6.—SOCIAL SECURITY COVERAGE [1]

[In millions]

Occupational group	Number of employees (in millions)	Covered	
		Number	Percent
Specifically exempt from coverage:			
Federal civilian employees	2.7	0.2	[2] 7.4
Voluntary coverage:			
State and local government	13.1	9.3	71.0
Nonprofit organization	6.5	5.1	78.5
Mandatorily covered:			
Industry and commerce	77.0	76.8	99.7
Farm [3]	2.0	1.5	75.0
Domestic [3]	1.9	.5	26.3
Self-employed [3]	8.6	6.5	75.6

[1] Estimates based on latest available data (1980). Estimates for some groups, such as non-profit employees, are subject to error due to rapid turnover and the number of employees holding more than one job.
[2] Federal employees who are temporary or who work for quasi-Federal agencies such as TVA are covered.
[3] Mandatorily covered if special minimum coverage requirements met. Special minimum requirements for coverage generally relate to amount of wages earned—for example, domestic employees must receive at least $50 from one employer during a calendar quarter for those wages to be covered.

Source: Office of Research and Statistics, SSA.

Tables 7 and 8 show how both the proportion of employment covered by social security and the proportion of wages subject to social security taxes have increased over the years. As shown in Table 7, the proportion of earnings subject to social security taxes has increased from about 56 percent in 1951 to about 80 percent. This is due to the increase in the taxable earnings base and the expansion of coverage that has taken place over the years.

TABLE 7.—PROPORTION OF EARNINGS TAXABLE BY SOCIAL SECURITY, 1951–81

[Dollars in millions]

Year	Total earnings	Total taxable earnings	Percent taxable earnings
1951	$214,496	$120,770	56.3
1955	254,549	157,540	61.9
1960	319,135	207,000	64.9
1965	418,941	250,730	59.8
1970	614,942	415,600	67.6
1975	896,409	664,750	74.2
1980 [1]	1,472,400	1,174,167	79.7
1981 [1]	1,618,700	1,296,206	80.0

[1] Estimate.

Source: Social Security Annual Statistical Supplement, 1980, and Office of Research and Statistics, SSA.

TABLE 8.—PROPORTION OF JOBS COVERED BY SOCIAL SECURITY, 1939–81

Year	Percent covered
1939	55.1
1949	60.5
1955	82.5
1960	86.2
1965	86.7
1970	89.1
1975	89.2
1980 [1]	89.2
1981 [1]	89.5

[1] Estimate.

Source: Social Security Annual Statistical Supplement, 1980, Historical Statistics of the United States, and Office of Research and Statistics, SSA.

II. The Short-Range Financing Situation

In order to meet social security's benefit obligations, the taxes allocated to each of the programs must be sufficient to cover benefit costs. The matching of revenues and benefits need not be exact in any given year (and rarely is) since the system may meet a deficit by drawing down reserves remaining from prior year surpluses. Over any given period of time, however, each program must have revenues which, when added to its reserves at the start of the period, at least equal expected benefits. In any case where revenues plus reserves fall short of this requirement, the program would be unable to fully meet benefits. This situation arose for the first time in history in November 1982 when the retirement program (OASI) was forced to borrow funds from the disability program (DI) under the temporary interfund borrowing authority. In the absence of new legislation, this inability to fully meet benefit obligations is now expected to continue in the retirement program and, if interfund borrowing is extended, occur ultimately in the entire system (OASDHI) within the next 18 months.

In the short range, the income and outgo of the social security funds are highly sensitive to changes in economic conditions. High rates of unemployment, for example, tend to depress social security tax collections (about $1.8 billion in direct tax revenue loss for each 1 percent increase in unemployment)* while high rates of inflation increase tax collections but even more substantially increase benefit outgo (about $1.7 billion annually for each 1 percent increase in inflation).* To show a range of possible outcomes, the social security Trustees have traditionally used three paths to estimate the short-range status of the trust funds: an optimistic, a pessimistic, and an intermediate path. (In the 1982 Board of Trustees' reports, an additional path was presented: "intermediate II-A," which modifies the usual intermediate path to reflect the somewhat more optimistic economic outlook used by the Administration in preparing the President's FY 1983 Budget.) Congress also receives short-range projections from the Congressional Budget Office (CBO) which provide yet another view of the possible financial condition of social security.

The projections made by the Board of Trustees and by CBO are no "better" or more useful than are their underlying economic assumptions (detailed in Section VIII of this print). The data presented in this print are based on either the intermediate (II-B) or pessimistic (III) assumptions of the Board of Trustees or the projections of CBO. The intermediate (II-B) projections, like those of CBO,

*Estimates provided by Office of the Actuary, Social Security Administration. According to the actuaries, the revenue loss due to unemployment would be about double the amount shown if secondary effects, such as the reduction in hours worked by those remaining employed, are considered.

assume the economy will perform better than in the past 5 years (with CBO assumptions somewhat more optimistic). The pessimistic projections, by contrast, assume the economy's performance will be poor, much like in the recent past. The actual performance of the economy could, of course, be better or worse than any of these projections, with resulting deficits in social security that would be less or more severe than those shown in this print.

CURRENT RESERVES

The reserve balance in the largest of the trust funds—the OASI fund—was approximately $21.5 billion at the start of 1982. This represents 15 percent of the expected $142 billion in payments to be made during the year, or just under 2 months' worth of benefits. The DI and the HI balances stood at $3.0 billion, or 21 percent of expected outgo, and $18.7 billion, or 45 percent of expected outgo, respectively. The amount of OASI funds available to pay November benefits—prior to any borrowing from the other funds—was $11 billion, less than the amount required to pay 1 month's benefits. The reserves of DI and HI were $6.8 billion and $20.8 billion, respectively, at the beginning of October 1982.

STATUS OF INTERFUND BORROWING

Because outgo from the OASI fund continues to exceed income, only the availability of interfund borrowing from DI and HI will allow retirement and survivor benefits to be paid on time in the period November 1982 through June 1983. On November 5, OASI had to borrow—for the first time—$581 million from the disability trust fund to meet full benefits. On December 7, the second transfer to OASI was made from the HI trust fund in the amount of $3.4 billion. According to SSA, such borrowing will total $11.6 billion by the end of the year (under intermediate II-B assumptions), with $6.2 billion coming from the DI trust fund and $5.5 billion coming from the HI trust fund. (Under pessimistic assumptions, the amount borrowed will be $12.4 billion; $6.1 billion from DI and $6.3 billion from HI.)

Since the borrowing authority cannot be used to ensure the payment of benefits beyond June 1983, the OASI program will, in the absence of further legislation, be unable to pay benefits on time beginning in July 1983. This projection holds under the most recent forecasts issued by the Administration (intermediate II-B and pessimistic, updated to take account of the 1982 Tax Equity and Fiscal Responsibility Act (TEFRA)) as well as under the most recent CBO forecast (which also takes into account TEFRA).

An extension of the interfund borrowing authority would permit the timely payment of retirement and survivors benefits through 1983 under all three sets of assumptions. However, the size of the OASI program—amounting to more than 70 percent of OASDHI outlays—and its heavy borrowing demands would soon lead to the insolvency of the entire system. The point at which full benefits—retirement and survivor, disability, and hospital—could not be paid on time would range from early to mid-1984, depending on how the economy performs.

SHORT-RANGE FINANCIAL STATUS

The following tables provide detailed projections (through 1990) of income and outgo for the three social security trust funds under CBO assumptions, Trustees' intermediate II-B assumptions, and Trustees' pessimistic assumptions. Under each of the assumptions, OASI, which has been running a deficit since 1974, is expected to spend more than it takes in (i.e., run an annual deficit) in each year through 1990. Under CBO and Trustees' intermediate assumptions, the annual deficit in OASI is $20–$40 billion; under Trustees' pessimistic assumptions, the annual deficit is considerably higher, exceeding $50 billion in 1987 and reaching $81 billion by 1989. (See Tables 11–13.)

As shown in Table 9, the cumulative deficit in OASI for the period 1983–1989 totals $201.5 billion under Trustees' intermediate assumptions. Counting the $17.3 billion in OASI reserves at the start of 1983, this leaves a cumulative deficiency of resources for OASI of $184.2 billion by the end of 1989. Under pessimistic assumptions, the cumulative deficiency of resources in OASI reaches $332.6 billion. Importantly, these sums do *not* represent the amount of resources which must be raised to keep the system solvent. Actually, the amount required would be *larger* since the system requires a reserve cushion to meet benefits in a timely manner. (Exactly what level of reserves is required is discussed in the next section of this print.)

TABLE 9.—RESOURCE CHANGES DURING CALENDAR YEARS 1983–89 IN SOCIAL SECURITY TRUST FUNDS UNDER PRESENT LAW—VARIOUS ASSUMPTIONS [1]

[In billions]

Fund	Estimated income to be received during calendar year period, 1983–1989	Outgo during calendar year period, 1983–1989	Cumulative deficit 1983–1989 [2]	Resources on hand at start of CY 1983 (reserves)	Net deficiency 1983–1989
	a	b	a–b	c	(a–b)+c
CBO economic assumptions: [3]					
OASI	$1235.3	$1411.7	–$176.4	$18.0	$–158.4
OASI and DI	1513.3	1562.2	–48.9	19.6	–29.3
OASI, DI, and HI	1927.4	1992.7	–65.3	34.3	–31.0
1982 Trustees' II–B assumptions:					
OASI	1261.4	1462.9	–201.5	17.3	–184.2
OASI and DI	1550.9	1623.5	–72.6	18.9	–53.7
OASI, DI, and HI	1982.2	2050.4	–68.2	34.6	–33.6
1982 Trustees' pessimistic assumptions:					
OASI	1242.8	1593.4	–350.6	18.0	–332.6
OASI and DI	1539.2	1766.2	–227.0	19.6	–207.4
OASI, DI, and HI	1971.9	2239.9	–268.0	34.5	–233.5

[1] All estimates take into account the effects of P.L. 97–248, the Tax Equity and Fiscal Responsibility Act of 1982. The Trustees' report estimates assume the continuation of the hospital cost containment provision of TEFRA beyond 1985, the expiration date in present law. CBO estimates do not.

[2] Calculated as income minus outgo, allowing for no reserves.

[3] Preliminary CBO estimates. Estimates for 1982 through 1985 are based on economic assumptions used for the September 1982 CBO budget update. Projections for the remainder of the period are based on economic assumptions representing a quick return to a non-cyclical trend growth path which incorporates the average post-World War II productivity growth rate of approximately 2 percent per year.

The situation is somewhat less severe in the short-range if the trust funds are viewed in combination. This is because the DI and

HI programs have reserves on hand now, and are expected to run annual surpluses through most of the decade. Between 1983 and the end of 1989, the cumulative deficiency of resources for OASDI is $53.7 billion and, for OASDHI, it is $33.6 billion under intermediate assumptions. Under pessimistic assumptions, the cumulative deficiency for OASDI is $207.4 billion and, for OASDHI, it is $233.5 billion. (As before, this allows for no reserve cushion.)

It must be remembered that the trust funds are statutorily separate. Legislation would have to be enacted to permit a surplus in one fund to continue to be used to meet a deficit in another fund. Also, the more favorable short-range situation of the combined funds largely results from very near-term surpluses in the HI trust fund. Over the next 25 years, however, that fund is seriously underfunded. Thus, any shifting of funds from HI to OASI will only aggravate the very serious deficits in the HI program in later years.

Table 10, which condenses the information in Tables 11–13, illustrates the status of the trust funds in a different way. Reserve ratios (i.e., assets at the beginning of the year as a percentage of outgo during the year) are shown for the two cash benefit programs (OASI and DI) combined, and for all 3 programs. Under each set of economic assumptions, reserves as a fraction of outgo (for OASI in combination with DI, as well as with DI and HI), are projected to fall continuously between now and the end of the decade, becoming negative for OASDI in 1985 and for OASDHI sometime between 1985 and 1989. Insolvency would occur some years prior to these dates—in 1984 or 1985 for OASDHI—when reserves first fall below the amount required to pay one month's benefits (about 9 percent of outgo).

TABLE 10.—OASDI AND OASDHI RESERVE RATIOS UNDER VARIOUS ASSUMPTIONS, 1980–1990[1]

Calendar year	Assets at beginning of year as a percentage of outgo during year	
	OASDI	OASDHI
1982 Trustees Report—"II–B" assumptions:		
1980	25	29
1981	18	23
1982	15	22
1983	11	16
1984	3	10
1985	−4	5
1986	−7	3
1987	−9	1
1988	−12	−1
1989	−15	−4
1990	−17	−8

TABLE 10.—OASDI AND OASDHI RESERVE RATIOS UNDER VARIOUS ASSUMPTIONS, 1980–1990[1]—Continued

Calendar year	Assets at beginning of year as a percentage of outgo during year	
	OASDI	OASDHI
1982 Trustees Report—Pessimistic assumptions:		
1980	25	29
1981	18	23
1982	15	22
1983	11	16
1984	1	8
1985	−11	−2
1986	−19	−10
1987	−27	−17
1988	−36	−26
1989	−46	−36
1990	−56	−47
CBO economic assumptions: [2]		
1980	25	29
1981	18	23
1982	15	22
1983	11	16
1984	2	9
1985	−6	3
1986	−8	2
1987	−8	2
1988	−8	0
1989	−9	−3
1990	−10	−8

[1] Includes effects of the Tax Equity and Fiscal Responsibility Act of 1982. (P.L. 97–248). The Trustees report estimates assume the continuation of the hospital cost containment provision of TEFRA beyond 1985, the expiration date in present law. CBO estimates do not.

[2] Preliminary CBO estimates. Estimates for 1982 through 1985 are based on economic assumptions used for the September 1982 CBO budget update. Projections for the remainder of the period are based on economic assumptions representing a quick return to a non-cyclical trend growth path which incorporates the average post World War II productivity growth rate of approximately 2 percent per year.

TABLE 11.—ESTIMATED TRUST FUND OPERATIONS: CBO ECONOMIC ASSUMPTIONS, CY 1980–90 [1]

[In billions]

Calendar year	Income [2]					Outgo				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	$105.8	$13.9	$119.7	$26.1	$145.8	$107.7	$15.9	$123.5	$25.6	$149.1
1981	125.4	17.1	142.4	35.7	178.2	126.7	17.7	144.4	30.7	175.1
1982	138.6	17.1	155.7	31.5	187.2	142.0	18.6	160.6	35.6	196.2
1983	134.7	25.2	159.9	42.7	202.6	156.1	19.5	175.6	39.4	215.0
1984	145.3	28.0	173.3	46.8	220.1	169.4	19.7	189.1	44.1	233.2
1985	162.7	35.3	198.0	52.7	250.7	182.9	19.8	202.7	50.1	252.7
1986	176.2	40.3	216.5	60.9	277.4	198.7	20.5	219.2	59.4	278.5
1987	190.3	44.7	235.0	65.7	300.8	215.7	21.6	237.3	69.1	306.4
1988	205.4	49.7	255.1	70.4	325.5	234.8	23.5	258.3	78.8	337.1
1989	220.7	54.8	275.5	74.8	350.3	254.1	25.9	280.0	89.7	369.8
1990	254.5	67.8	322.3	79.0	401.2	274.4	28.3	302.7	102.1	404.8

	Net increase in funds					Funds at end of year					Assets at beginning of year as a percentage of outgo during year				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	−$1.8	−$2.0	−$3.8	−$0.5	−$3.3	$22.8	$3.6	$26.5	$13.7	$40.2	23.0	35.0	25.0	52.0	29.0
1981	−1.3	−0.6	−1.9	5.0	3.1	21.5	3.0	24.5	18.7	43.3	18.0	21.0	18.0	45.0	23.0
1982	−3.4	−1.5	−4.9	−4.1	−9.0	18.0	1.6	19.6	14.6	34.3	15.1	16.4	15.3	52.6	22.1
1983	−21.4	5.7	−15.7	3.3	−12.4	−3.4	7.3	3.9	17.9	21.8	11.5	8.3	11.2	37.1	15.9
1984	−24.1	8.3	−15.8	2.7	−13.1	−27.6	15.6	−12.0	20.6	8.7	−2.0	37.2	2.1	40.6	9.4
1985	−20.2	15.5	−4.7	2.6	−2.0	−47.8	31.2	−16.6	23.2	6.6	−15.1	78.9	−5.9	41.1	3.4
1986	−22.5	19.8	−2.7	1.5	−1.1	−70.3	51.0	−19.3	24.8	5.4	−24.0	152.2	−7.5	39.1	2.4
1987	−25.4	23.1	−2.3	−3.4	−5.6	−95.6	74.1	−21.5	21.4	−0.1	−32.6	236.1	−8.1	35.8	1.8
1988	−29.4	26.2	−3.2	−8.4	−11.6	−125.0	100.3	−24.7	13.0	−11.7	−40.7	315.8	−8.3	27.1	−0.1
1989	−33.4	28.9	−4.5	−14.9	−19.5	−158.5	129.2	−29.3	−1.9	−31.2	−49.2	387.6	−8.8	14.5	−3.2
1990	−19.9	39.5	19.6	−23.1	−3.6	−178.5	168.7	−9.8	−25.0	−34.8	−57.8	456.8	−9.7	−1.9	−7.7

[1] Includes the effects of the Tax Equity and Fiscal Responsibility Act of 1982, including the expiration of the hospital cost containment provision (Section 101) in 1985. In calendar years when January 1 occurs on a Friday, that year's benefit payment is paid in December of the preceding year; CBO estimates do not take this effect into account. Estimates are preliminary CBO estimates. Estimates for 1982 through 1985 are based on economic assumptions used for the September 1982 CBO budget updates. Projections for the remainder of the period are based on economic assumptions representing a quick return to a non-cyclical trend growth path which incorporates the average post World War II productivity growth rate of approximately 2 percent per year.

[2] Income to the trust funds is budget authority. It includes payroll tax receipts, interest on balances and certain general fund transfers. Income in fiscal year 1983 reflects interfund transfers as authorized under P.L. 97–123. In order to better illustrate the operations of the trust funds under extended interfund or other types of borrowing or under tax rate reallocation, estimated interest payments owed by a trust fund when it shows a deficit are included as negative values in the income estimates of that trust fund.

TABLE 12.—ESTIMATED TRUST FUND OPERATIONS: 1982 TRUSTEES' REPORT INTERMEDIATE (II–B) ASSUMPTIONS, CALENDAR YEARS 1980–90 [1]

[In billions]

Calendar year	Income					Outgo				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	$105.8	$13.3	$119.7	$26.1	$145.8	$107.7	$15.9	$123.5	$25.6	$149.1
1981	125.4	17.1	142.4	35.7	178.2	126.7	17.7	144.4	30.7	175.1
1982	137.7	16.6	154.3	32.6	187.0	141.9	18.1	160.0	35.6	195.6
1983	136.5	26.1	162.6	44.0	206.6	156.5	19.0	175.5	40.8	216.3
1984	149.2	29.6	178.8	48.4	227.2	173.0	19.9	192.9	46.3	239.2
1985	167.3	37.5	204.8	54.5	259.3	190.9	21.3	212.2	51.9	264.1
1986	180.9	42.0	222.9	63.2	286.1	208.5	22.7	231.2	58.8	290.0
1987	194.5	46.5	241.0	68.5	309.5	226.3	24.2	250.6	66.9	317.5
1988	209.1	51.3	260.4	73.8	334.2	244.5	25.8	270.3	76.0	346.4
1989	223.9	56.5	280.4	78.9	359.3	263.2	27.6	290.8	86.1	376.9
1990	257.7	69.6	326.7	83.8	410.5	282.2	29.4	311.6	96.8	408.4

Calendar year	Net increase in funds					Funds at end of year					Assets at beginning of year as a percentage of outgo during year				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	−1.8	−2.0	−3.8	0.5	−3.3	22.8	3.6	26.5	13.7	40.2	23	35	25	52	29
1981	−1.3	−0.6	−1.9	5.0	3.1	21.5	3.0	24.5	18.7	43.3	18	21	18	45	23
1982	−4.2	−1.5	−5.7	−3.0	−8.6	17.3	1.6	18.9	15.8	34.6	15	17	15	53	22
1983	−20.0	7.1	−12.8	3.2	−9.6	−2.6	8.7	6.1	19.0	25.0	11	8	11	39	16
1984	−23.8	9.7	−14.1	2.1	−12.0	−26.4	18.4	−8.0	21.0	13.0	−2	44	3	41	10
1985	−23.6	16.2	−7.4	2.6	−4.8	−50.0	34.6	−15.4	23.6	8.2	−14	86	−4	41	5
1986	−27.6	19.2	−8.4	4.4	−3.9	−77.6	53.8	−23.8	28.0	4.3	−24	152	−7	40	3
1987	−31.8	22.2	−9.6	1.6	−7.9	−109.4	76.1	−33.4	29.7	−3.7	−34	222	−9	42	1
1988	−35.4	25.5	−9.9	−2.3	−12.2	−144.9	101.6	−43.3	27.4	−15.9	−45	294	−12	39	−1
1989	−39.3	28.9	−10.4	−7.2	−17.7	−184.2	130.4	−53.7	20.2	−33.6	−55	368	−15	32	−4
1990	−25.1	40.2	15.1	−13.0	2.1	−209.3	170.6	−38.7	7.2	−31.5	−65	443	−17	21	−8

[1] Includes the effects of the Tax Equity and Fiscal Responsibility Act of 1982. Assumes that hospital cost containment provision will be extended beyond 1985, the expiration date in P.L. 97–248 (TEFRA).

1. The income figures for 1982, and the end-of-year asset figures for 1982 and later, reflect the transfer of funds from the DI and HI Trust Funds to the OASI Trust Fund under the interfund borrowing authority provided by Public Law 97–123. Under this set of assumptions, a total of $11.6 billion would be transferred to OASI in 1982, $6.2 billion from DI and $5.5 billion from HI.

2. The estimated operations for OASI, OASDI, and OASDI and HI combined in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in July 1983 when assets would become insufficient to pay benefits when due.

TABLE 13.—ESTIMATED TRUST FUND OPERATIONS: 1982 TRUSTEES' REPORT PESSIMISTIC ASSUMPTIONS, CALENDAR YEARS 1980–90 [1]

[In billions]

Calendar year	Income					Outgo				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	$105.8	$13.9	$119.7	$26.1	$145.8	$107.7	$15.9	$123.5	$25.6	$149.1
1981	125.4	17.1	142.4	35.7	178.2	126.7	17.7	144.4	30.7	175.1
1982	138.4	16.6	155.1	31.8	186.9	141.9	18.1	160.0	35.6	195.6
1983	133.3	25.6	158.9	43.0	201.9	157.7	19.1	176.8	40.8	217.6
1984	142.9	28.7	171.6	47.0	218.6	177.2	20.3	197.5	46.7	244.2
1985	162.3	37.1	199.4	53.7	253.2	199.8	22.2	222.0	54.2	276.3
1986	177.3	42.4	219.7	63.1	282.8	224.0	24.3	248.3	63.7	312.0
1987	192.6	48.0	240.6	69.3	309.9	250.2	26.5	276.6	75.2	351.9
1988	208.8	54.0	262.8	75.3	338.2	277.7	28.9	306.6	88.7	395.3
1989	225.6	60.6	286.2	81.1	367.3	306.8	31.6	338.4	104.2	442.6
1990	262.5	76.1	338.5	86.5	425.0	337.5	34.4	372.0	121.7	493.6

	Net increase in funds					Funds at end of year					Assets at beginning of year as a percentage of outgo during year				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	−$1.8	−$2.0	−$3.8	−$0.5	−$3.3	$22.8	$3.6	$26.5	$13.7	$40.2	23	35	25	52	29
1981	−1.3	−0.6	−1.9	5.0	3.1	21.5	3.0	24.5	18.7	43.3	18	21	18	45	23
1982	−3.5	−1.5	−5.0	−3.8	−8.7	18.0	1.6	19.6	15.0	34.5	15	17	15	53	22
1983	−24.4	6.5	−17.9	2.2	−15.6	−6.4	8.1	1.7	17.2	18.9	11	8	11	37	16
1984	−34.3	8.4	−25.9	.2	−25.7	−40.7	16.4	−24.3	17.5	−6.8	−4	40	1	37	8
1985	−37.5	14.9	−22.6	−.5	−23.1	−78.2	31.4	−46.8	17.0	−29.9	−20	74	−11	32	−2
1986	−46.7	18.2	−28.5	−.6	−29.1	−124.9	49.5	−75.4	16.4	−59.0	−35	129	−19	27	−10
1987	−57.6	21.5	−36.1	−5.9	−42.0	−182.5	71.0	−111.4	10.5	−101.0	−50	187	−27	22	−17
1988	−68.9	25.1	−43.8	−13.3	−57.1	−251.3	96.1	−155.2	−2.9	−158.1	−66	246	−36	12	−26
1989	−81.2	29.0	−52.2	−23.1	−75.3	−332.6	125.1	−207.4	−26.0	−233.4	−82	305	−46	−3	−36
1990	−75.1	41.6	−33.5	−35.2	−68.6	−407.6	166.8	−240.9	−61.1	−302.0	−99	363	−56	−21	−47

[1] Includes effects of the Tax Equity and Fiscal Responsibility Act of 1982. Assumes that hospital cost containment provision will be extended beyond 1985, the expiration date in P.L. 97-248 (TEFRA).

1. The income figures for 1982, and the end-of-year asset figures for 1982 and later, reflect the transfer of funds from the DI and HI Trust Funds to the OASI Trust Fund under the interfund borrowing authority provided by Public Law 97-123. Under this set of assumptions, a total of $12.4 billion would be transferred to OASI in 1982, $6.1 billion from DI and $6.3 from HI.

2. The estimated operations for OASI, OASDI, and OASDI and HI combined in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in July 1983 when assests would become insufficient to pay benefits when due. Similarly, the HI Trust Fund operations in 1988 and later are theoretical, since the fund would be depleted in 1988 under this set of assumptions.

III. Measuring Short-Range Financial Adequacy

Social security financing must provide revenues which are sufficient to meet planned benefit payments. To achieve that goal, Congress needs reliable projections of future income and outgo. In addition, a margin for error must be provided so that the system can accommodate fluctuations in income or outgo and so that there will be time for Congressional action in the event the projections prove seriously inaccurate.

There is no hard and fast rule as to what is either the minimum or the appropriate trust fund reserve level. The problem is that the financial shortfall can be defined in many ways depending upon what level of resources one considers sufficient to meet the system's needs. For instance, aiming at a reserve of one month's worth of assets (9 percent of annual expenditures) so that monthly benefits can be met on time requires far less in trust fund assets than a 3-month (25 percent) or 6-month (50 percent) reserve cushion. Furthermore, different sets of economic assumptions show that different amounts are needed to achieve the same reserve percentage. Finally, how much is needed depends upon how fast the reserve cushion is to be built up.

Prior to the 1972 amendments, the program had a built-in safety margin in that benefit increases could occur only through specific legislative action. In addition, actuarial projections were intentionally made on what was called a "level-wage" basis. This means that actuarial estimates were made on the basis of wage rates in effect the year the estimates were made with no anticipation of future growth. Thus, productivity gains were not predicted—and therefore not spent—until they actually developed. When productivity gains did occur, they were available either to compensate for errors in estimation or to pay the cost of benefit increases or other liberalizations.

The 1972 amendments required a shift to dynamic estimates of future income so as to account for the financing of the automatic cost-of-living adjustment of benefits enacted at that time. These changes made the system more sensitive to changes in economic conditions and therefore made estimates of its future financial condition much more uncertain.

The social security actuaries and other experts (including CBO) generally agree that if reserve levels drop below 13 percent at the beginning of a calendar year, "the probable inability of the fund to pay benefits when due becomes imminent." Actuaries consider 13 percent the critical point for the OASDI trust funds, because even a small error in the estimates or unforeseen fluctuations in the flow of income and outgo could cause the reserve ratio to drop below 8 to 9 percent, which is the amount needed to assure that monthly benefits can be paid. The actuaries point out that a minimum 4 to 5 percentage point spread between the potential danger

level (13 percent) and the actual level of insolvency (8 to 9 percent) is needed in order to avoid cash flow problems. A larger reserve (about 17 percent) is needed at the start of a fiscal year in order to assure that the fund can weather the initial October through December quarter. During that quarter, revenues lag because earnings of high income workers have reached the taxable wage base (and therefore their tax payments have ceased for the year) and benefits are relatively high because of the July cost of living increase.

As illustrated in Table 10, the combined reserves of OASDHI will amount to 16 percent of outgo at the start of 1983. Under each of the 3 sets of assumptions presented, the system's reserves fall below 13 percent of outgo sometime during the second half of 1983.

Considerably larger reserve levels than 9–13 percent are needed if Congress is to be allowed a reasonable amount of time for legislative action to prevent trust fund exhaustion during periods of continued annual deficits, like the present. In the early 1970's the standard of adequacy in the short-term was a reserve level of 75 to 125 percent of annual outgo, or the equivalent of 9–15 months of benefit payments. For example, the 1971 Advisory Council recommended a reserve goal of 100 percent of annual outgo.

The social security system has only recently operated at marginal reserve levels. As illustrated in Tables 14 and 15, reserves have historically been large and adequate. It was not until 1970 that the combined reserves of the OASDHI funds fell below 100 percent of annual expenditures. Then, in the next 5 years, the reserve ratio fell by 26 percentage points, and by 1981, reserves had fallen another 46 percentage points to a level of 23 percent of outgo. This sharp deterioration in reserves between 1975 and 1981 resulted despite new legislation which substantially increased income to the system during this period. (See Section V for estimates of effects of recent legislation.)

Evidently, if one expected Congress to take action annually on social security, as it does with appropriation bills for other activities of the Government, then a 25-percent reserve based on "best guess" (intermediate) economic assumptions would be ample, for it is not likely that even under the most adverse economic conditions, such a reserve would be depleted in a single year. However, if it is desirable for the system to be self-sufficient for many years into the future, larger reserves must be accumulated.

TABLE 14.—HISTORICAL OASDHI RESERVE RATIOS, 1950–83

[Assets at the beginning of each year as a percent of outgo during the year]

Calendar year	Trust funds				
	OASI and DI combined	OASI	DI	HI	OASDHI
1950	1,156	1,156	.....	.....	1,156
1955	405	405	.....	.....	405
1960	186	180	304	.....	186
1965	110	109	121	.....	110
1970	103	101	126	47	95

TABLE 14.—HISTORICAL OASDHI RESERVE RATIOS, 1950–83—Continued

[Assets at the beginning of each year as a percent of outgo during the year]

Calendar year	Trust funds				
	OASI and DI combined	OASI	DI	HI	OASDHI
1971	99	94	140	54	93
1972	93	88	140	47	87
1973	80	75	125	40	76
1974	73	68	110	69	73
1975	66	63	92	79	69
1976	57	54	71	77	60
1977	47	47	48	66	50
1978	37	39	26	57	40
1979	30	30	30	54	34
1980	25	23	35	52	29
1981	18	18	21	45	23
1982	15	15	17	53	22
1983 [1]	11	8	11	39	16

[1] Estimated using Trustees' intermediate (II–B) assumptions.

Source: 1982 OASDI and HI Trustees' Reports.

TABLE 15.—HISTORICAL LEVELS OF OASDHI TRUST FUND ASSETS, NUMBER OF MONTHS' WORTH OF BENEFITS ON HAND

Calendar year	Number of months' worth of expenditures on hand at beginning of year		
	OASDI	HI	OASDHI
1950	138.7	.....	138.7
1960	22.3	.....	22.3
1965	13.2	.....	13.2
1970	12.4	5.6	11.5
1975	8.0	9.4	8.3
1980	2.9	6.2	3.5
1982	1.8	6.3	2.6

Further insight can be gained into the adequacy of various reserve levels by considering the fact that at the time of the 1977 Amendments, it was estimated that the changes made would assure a minimum OASDI reserve ratio of at least 25 percent of annual outgo in the near term—a reserve of 3 months' benefit payments under Trustees' intermediate assumptions. As shown in Tables 16 and 17, that projection proved wide of the mark and did not provide enough margin to avoid the need for further legislation

in the 96th and 97th Congresses. The legislation since 1977 provided substantial additional financing for the system both through benefit reductions and tax increases. (See Section V of this print for revenue and savings estimates.)

Whereas in 1977 it was believed that the legislation enacted that year would allow trust fund reserves as a fraction of outgo to rise continuously through the 1980's, and subsequent legislation further improved the financing of the system, reserves are now expected to fall continuously.

This recent experience has shown that while a reserve ratio of 15, 20, or 25 percent may appear to be a safe planning level, it would not take much of a deviation from the assumptions to cause financial problems to arise again quickly.

TABLE 16.—COMPARISON OF OASDHI RESERVES PROJECTED UPON ENACTMENT OF 1977 AMENDMENTS AND VARIOUS CURRENT FORECASTS [1]

[In percent]

Calendar years	OASDHI reserves at beginning of year as percent of outgo during the year			
	1977 estimate	1982 CBO	1982 trustees' II–B assumptions	1982 trustees' pessimistic assumptions
1980	29	29	29	29
1981	38	23	23	23
1982	34	22	22	22
1983	39	16	16	16
1984	42	9	10	8
1985	43	3	5	−2
1986	47	2	3	−10
1987	50	2	1	−17

[1] All 1982 estimates include the effects of the Tax Equity and Fiscal Responsibility Act of 1982. The Trustees' report HI estimates assume the continuation of the hospital cost containment provision of TEFRA beyond 1985, the expiration date in present law. CBO estimates do not.

TABLE 17.—COMPARISON OF OASDI RESERVES PROJECTED UPON ENACTMENT OF 1977 AMENDMENTS AND VARIOUS CURRENT FORECASTS [1]

[In percent]

Calendar years	OASDI reserves at beginning of year as percent of outgo during the year			
	1977 estimate	1982 CBO	1982 trustees' II–B assumptions	1982 trustees' pessimistic assumptions
1980	26	25	25	25
1981	25	18	18	18
1982	30	15	15	15
1983	36	11	11	11
1984	41	2	3	1
1985	45	−6	−4	−11

TABLE 17.—COMPARISON OF OASDI RESERVES PROJECTED UPON ENACTMENT OF 1977 AMENDMENTS AND VARIOUS CURRENT FORECASTS [1]—Continued

[In percent]

Calendar years	OASDI reserves at beginning of year as percent of outgo during the year			
	1977 estimate	1982 CBO	1982 trustees' II–B assumptions	1982 trustees' pessimistic assumptions
1986	52	−8	−7	−19
1987	59	−8	−9	−27

[1] All 1982 estimates include the effects of the recently enacted Tax Equity and Fiscal Responsibility Act of 1982.

HOW MUCH MONEY DOES THE SYSTEM NEED?

The following tables illustrate the cumulative amount of new resources the cash benefits programs (OASDI) and the system (OASDHI) would need to reach various levels of reserves by the beginning of 1986 and, alternatively, by the beginning of 1990. The tables show these amounts under three sets of economic assumptions (the 1982 Trustees' intermediate and pessimistic assumptions, and CBO assumptions). Alternatively, they show the approximate amounts required in outlay reductions to attain various levels of reserves. (Actually, if the system's financial condition were improved through benefit reductions, with no new income-producing measures, the aggregate amount of such reductions would be somewhat less than the resources required through revenue measures alone. See Tables 49 and 50 in section VIII of this print.) The tables below presume that interfund borrowing is reauthorized through the decade, either between OASI and DI or between all three trust funds.

TABLE 18.—ADDITIONAL RESOURCES REQUIRED IN THE NEAR-TERM TO BRING OASDHI RESERVES UP TO CERTAIN LEVELS [1]

[In billions]

	Additional resources required [2]		
	CBO	1982 trustees' intermediate (II–B)	1982 trustees' pessimistic assumptions
Percent of 1 year's expenditures desired at beginning of 1986:			
9 percent (1 mo)	$18.5	$16	$52
13 percent	29.6	26	62
15 percent	35.2	31	67
20 percent	49.1	44	83
30 percent	77.0	70	108
50 percent (6 mo)	132.7	123	163

TABLE 18.—ADDITIONAL RESOURCES REQUIRED IN THE NEAR-TERM TO BRING OASDHI RESERVES UP TO CERTAIN LEVELS [1]—Continued

[In billions]

	Additional resources required [2]		
	CBO	1982 trustees' intermediate (II–B)	1982 trustees' pessimistic assumptions
Percent of 1 year's expenditures desired at beginning of 1990:			
9 percent (1 mo)	67.6	59	225
13 percent	83.8	70	239
15 percent	91.9	75	244
20 percent	112.2	93	264
30 percent	152.6	123	301
50 percent (6 mo)	233.6	190	378

[1] Table includes the effects of Tax Equity and Fiscal Responsibility Act of 1982. The Trustees' HI estimates assume the continuation of the hospital cost containment provision of TEFRA beyond 1985, the expiration date in present law. CBO estimates do not. Target reserve ratios are attained in even annual increments.

[2] CBO estimates and Trustees estimates are not directly comparable because CBO numbers include added interest on larger trust fund balances, while Trustees' numbers do not. Also, the Trustees' estimates assume the continuation of a hospital cost containment provision in P.L. 97–248 beyond 1985, the expiration date contained in present law.

TABLE 19.—ADDITIONAL RESOURCES REQUIRED IN THE NEAR-TERM TO BRING OASDI RESERVES UP TO CERTAIN LEVELS [1]

[In billions]

	Additional resources required [2]		
	CBO	1982 trustees' intermediate (II–B)	1982 trustees' pessimistic assumptions
Percent of 1 year's expenditures desired at beginning of 1986:			
9 percent (1 mo)	$36.3	$32	$60
13 percent	45.1	39	68
15 percent	49.5	43	72
20 percent	60.4	54	84
30 percent	82.3	74	105
50 percent (6 mo)	126.2	115	148
Percent of 1 year's expenditures desired at beginning of 1990:			
9 percent (1 mo)	56.6	62	187
13 percent	68.7	70	195
15 percent	74.7	74	200
20 percent	89.9	88	216
30 percent	120.1	113	246
50 percent (6 mo)	180.7	163	303

[1] Table includes the effects of the Tax Equity and Fiscal Responsibility Act of 1982. Target reserve levels are attained in even annual increments.

[2] CBO estimates and Trustees' estimates are not directly comparable because CBO numbers include added interest on larger trust fund balances, while Trustees' numbers do not.

Table 18 shows the condition of the overall system. It can be seen that, depending on the economic assumptions, anywhere from $75 billion to $244 billion in new resources is required between 1983 and 1989 to achieve a relatively minimum reserve level of 15 percent for OASDHI at the start of 1990. Under intermediate assumptions, $75 billion is required; under CBO assumptions, $92 billion is required. $120 billion to $150 billion would be required to reach a safer reserve level of, say, 30 percent at the start of 1990, under intermediate II-B or CBO assumptions. Were pessimistic conditions to prevail, however, these sums would not provide even the minimum reserve level of 9 percent.

It is important to note that even if HI is omitted from consideration, the needs of the cash benefit programs are not much different than if all three programs are combined. The resource needs are higher in the next few years (as the opportunity to borrow from HI is foregone), but lower in the latter part of the decade (as the condition of HI deteriorates). As illustrated in Table 19, a 15-percent OASDI reserve level at the beginning of 1990 would require about $75 billion in new resources over the period 1983–1989 under intermediate or CBO assumptions, and $200 billion under pessimistic assumptions. A 30 percent reserve level under intermediate or CBO assumptions would require $113–$120 billion.

The National Commission on Social Security Reform tentatively agreed (on November 11) that OASDI requires $150–$200 billion in new resources (over the period 1983–89) to ensure solvency through the decade. This is roughly the amount of resources required to achieve a 15 percent reserve goal under pessimistic assumptions. If the economy performs better, larger reserves would accumulate. For illustrative purposes, Table 20 shows the year-by-year needs of the system (OASDI and OASDHI) for this reserve goal under Trustees' intermediate and pessimistic assumptions.

TABLE 20.—ESTIMATED NEW RESOURCES REQUIRED TO MAINTAIN A TRUST-FUND RATIO OF 15 PERCENT DURING 1983–89, UNDER ALTERNATIVES II–B AND III [1]

[In billions]

Calendar year	Intermediate (II–B) assumptions		Pessimistic (III) assumptions	
	OASDI	OASDHI	OASDI	OASDHI
1983	$22	$10	$26	$17
1984	14	14	25	27
1985	7	6	20	23
1986	7	5	24	27
1987	8	9	30	38
1988	8	13	34	49
1989	8	17	40	63
1983–89	74	75	200	244

[1] The "trust-fund ratio" is the ratio of the reserve balances in the trust funds at the start of the year to the outgo in the next 12 months. The figures in this table do not include the repayment of any loans from the HI Trust Fund to the OASI Trust Fund in 1982 (about $5 billion). Figures take into account the effect of the Tax Equity and Fiscal Responsibility Act of 1982.

IV. The Long-Range Financing Situation

Because social security is broadly viewed as a program for which those who pay the taxes are earning the right to future benefits, Congress has traditionally required long-range cost estimates and has set future tax rates with a view to assuring that the income of the system will be sufficient to cover outgo. Under current procedures, the long-range actuarial analysis of the cash benefit programs (OASI and DI) covers a 75-year period—generally long enough to cover the anticipated retirement years of those currently in the work force. Since the enactment in 1965 of the Hospital Insurance program, long-range actuarial analyses of that program have also been made, but official HI estimates are made only over a 25-year period.*

Whereas in the short-range, adverse economic factors (especially the lack of real wage growth) has been largely responsible for the poor financial condition of social security, demographic changes will be very important in the long-range. Fertility and mortality rates, for example, interact to determine the mix of beneficiaries (or retirees) to workers and the longevity of the beneficiary population. The Board of Trustees reports typically provide a range of possible outcomes by projecting long-range costs and income on the basis of three different sets of assumptions—optimistic, intermediate, and pessimistic. The 1982 report also included a fourth path, intermediate (II-A), based on the President's FY 1983 budget assumptions. (The underlying economic and demographic assumptions are included in Section VIII of this print.) While the long-range income and outgo projections illustrated in this section are based on the actuaries' intermediate assumptions, as these are the ones Congress generally relies on for policymaking, it should be noted that the long-term cost of OASDI varies by a factor of 70 percent as between optimistic and pessimistic projections, from a surplus of 1.30 percent of payroll to a deficit of 6.46 percent.

MEASUREMENT OF LONG-RANGE STATUS

The long-range status of the social security trust funds is ordinarily expressed in terms of "percent of taxable payroll" rather than in dollar amounts. This permits a direct comparison between the tax rate actually in the law and the cost of the program. For example, if the program is projected to have a deficit of "one percent of taxable payroll", this means that the social security tax rates now in the law would have to be increased by .5 percentage

*The Finance Committee Staff requested 75-year estimates from HCFA, but they were not provided. HI estimates presented in this section extending beyond the 25-year period were provided by the National Commission on Social Security Reform staff and are based on the assumptions that after 2006 hospital costs will rise at the same rate as wages and that costs will be reduced by 10½ percent in each future year as a result of the hospital cost containment provision in P.L. 97-248.

points on the employee and employer, each, in order to pay for the benefits due under present law. (Alternatively, the program could be brought back into balance by an equivalent reduction in benefit outgo or by a combination of revenue increases and outgo reductions.) If the program is projected to have a deficit of 1.8 percent of taxable payroll and expenditures are projected to be, say, 10 percent of taxable payroll, then, under the given set of assumptions, 18 percent (1.8 divided by 10) of expenditures could not be met with that tax schedule. At the present time, total taxable payroll amounts to approximately $1.4 trillion so that in 1982 terms, 1.8 percent of payroll (the estimated long-range deficit of the cash benefits program) represents about $25 billion. In 1983, total taxable payroll is expected to be $1.5 trillion, with each percent of payroll amounting to $15 billion. When the entire program (including medicare) is considered, the average annual social security deficit over the next 75 years, expressed in 1983 terms, is somewhat above $100 billion per year.

The long-range financial condition of the system is summarized in the table below.

TABLE 21.—LONG-RANGE STATUS OF THE OASDHI TRUST FUNDS

[Percent of taxable payroll]

	25-year periods			75-year period
	1982–2006	2007–2031	2032–2056	1982–2056
OASDI:				
Income	12.01	12.40	12.40	12.27
Outgo	11.35	14.08	16.79	14.07
Difference	.66	−1.68	−4.39	−1.80
HI:				
Income	2.86	2.90	2.90	2.89
Outgo	4.34	8.78	11.19	8.10
Difference	−1.48	−5.88	−8.29	−5.21
OASDHI:				
Income	14.87	15.30	15.30	15.16
Outgo	15.69	22.86	27.98	22.17
Balance	−.82	−7.56	−12.68	−7.01

Source: SSA, HCFA, based on 1982 Trustees' intermediate II–B assumptions, adjusted to reflect enactment of the Tax Equity and Fiscal Responsibility Act of 1982 for 1982–2006, assuming extension of hospital cost containment provision of TEFRA beyond 1985, the expiration date in present law. HI estimates for 2007 to 2056 prepared by the staff of the National Commission on Social Security Reform under assumptions that hospital costs will rise at the same rate as average wages and that TEFRA will reduce the cost of the HI program by 10½ percent each year.

OASDI

Tables 21 and 22 provide estimates of the long-range status of the social security cash benefit programs over the next 75 years (based on the intermediate (II–B) assumptions used in the 1982

Trustees' report updated to take account of the 1982 Tax Equity and Fiscal Responsibility Act). The tables shows that the cash benefits trust funds, despite their deficit in the next few years, are projected to run a surplus over the next 25 years. In 1982, for example, the cost of OASDI is comparable to a tax rate of 11.76 percent (employee and employer combined), and the actual tax rate is 10.80 percent—a shortfall of 0.96 percentage points. Beginning in 1990, however, and continuing over the next two decades, the situation reverses and income substantially exceeds outgo. This is partly a result of increases in social security taxes scheduled under present law, partly a result of the fact that the cohort of workers retiring at that time were born in the 1930's and early 1940's, low birth rate years, and partly because of the assumption of a much improved economic picture.

TABLE 22.—COMBINED OASDI OUTGO AS A PERCENT OF TAXABLE PAYROLL AND COMPARISON WITH SCHEDULED TAX RATE [1]

[In percent]

Calendar year	OASDI outgo	Tax rate	Difference	Trust fund ratio
1981	11.30	10.70	−0.60	18
1982	11.76	10.80	−.96	15
1983	11.64	10.80	−.84	11
1984	11.59	10.80	−.79	3
1985	11.66	11.40	−.26	−4
1986	11.68	11.40	−.28	−7
1987	11.69	11.40	−.29	−9
1988	11.66	11.40	−.26	−12
1989	11.63	11.40	−.23	−15
1990	11.62	12.40	.78	−17
1991	11.57	12.40	.83	−12
1992	11.52	12.40	.88	−5
1993	11.49	12.40	.91	2
1994	11.44	12.40	.96	9
1995	11.40	12.40	1.00	17
1996	11.33	12.40	1.07	26
1997	11.24	12.40	1.16	35
1998	11.16	12.40	1.24	45
1999	11.08	12.40	1.32	56
2000	11.02	12.40	1.38	67
2001	10.96	12.40	1.44	79
2002	10.91	12.40	1.49	92
2003	10.89	12.40	1.51	105
2004	10.89	12.40	1.51	118
2005	10.94	12.40	1.46	131
2010	11.52	12.40	.88	179

TABLE 22.—COMBINED OASDI OUTGO AS A PERCENT OF TAXABLE PAYROLL AND COMPARISON WITH SCHEDULED TAX RATE [1]—Continued

[In percent]

Calendar year	OASDI outgo	Tax rate	Difference	Trust fund ratio
2015	12.81	12.40	−.41	179
2020	14.44	12.40	−2.04	127
2025	15.96	12.40	−3.56	33
2030	16.82	12.40	−4.42	(2)
2035	17.01	12.40	−4.61	(2)
2040	16.79	12.40	−4.39	(2)
2045	16.65	12.40	−4.25	(2)
2050	16.71	12.40	−4.31	(2)
2055	16.80	12.40	−4.40	(2)
2060	16.80	12.40	−4.40	(2)
25-year averages:				
1982–2006	11.35	12.01	.66	
2007–31	14.08	12.40	−1.68	
2032–56	16.79	12.40	−4.39	
75-year average:				
1982–2056	14.07	12.27	−1.80	

[1] Based on 1982 Trustees Report, alternative II–B assumptions, including effects of the Tax Equity and Fiscal Responsibility Act of 1982.

[2] The fund is projected to be exhausted and not to recover before the end of the projection period.

As shown in Table 22, OASDI reserves as a fraction of outgo are projected to rise continuously from 2 percent in 1993 to 179 percent in 2010. Over the 25-year period 1982-2006, this translates into a surplus of 0.66 percent, or in 1983 dollars, about $10 billion per year.

The likelihood of surpluses in the 1990's.—It is extremely important to note that under none of the official projections presented in this print will the social security system as a whole—OASI, DI, and HI—be in surplus during the 1990's. Even under CBO assumptions, the most optimistic of the 3 presented, deficits in HI are projected beginning in 1987. These deficits are then expected to get progressively larger—large enough under intermediate assumptions to render the rest of the system insolvent during the 1990's if interfund borrowing were in place.

Even apart from the possible need to divert resources to HI, how likely is it that OASI and DI will run a surplus in the 1990's, as is now projected under Trustees' intermediate and CBO assumptions? Continued sluggish economic performance during the 1990's would eliminate surpluses in OASDI and, indeed, could result in substantial deficits. To illustrate this, using intermediate assumptions, but simply modifying the assumption pertaining to real wage growth (reducing it from 1.5 percent to 0.75 percent beginning in 1989) would virtually eliminate projected surpluses. Further reducing the real wage growth assumption to 0.5 percent would result in deficits on the order of 0.19 percent of payroll, or about $3 billion per year.

(It should be noted that actual real wage growth averaged −1.2 percent over the period 1977 to 1981 and −0.5 percent per year over the period 1970 to 1981.) Evidently, while the Trustees' intermediate projections of reserve accumulation in the 1990's is one reasonable forecast, there is a reasonable probability that the OASDI trust funds could be in considerably poorer financial condition.

Even under the intermediate (II–B) projections which show surpluses in OASDI in the 1990's and through the balance of the 25-year period, OASDI is projected to run large deficits beginning around 2015. As shown in Table 22, the cost of OASDI rises sharply after the turn of the century—about 50 percent between 2001 and 2030—reaching 17 percent of payroll by 2035. (In other words, the combined employee-employer tax rate in 2035 would have to be 17 percent in order to finance retirement, survivors, and disability benefits alone. The cost of medicare would be another 11.17 percent in addition to this.) Under intermediate assumptions, the OASDI deficit becomes so large that the trust fund ratio is projected to fall in a 10-year period from 179 percent in 2015 to 33 percent in 2025, and reserves would be totally exhausted a few years later.

Over the next 75 years, the cash benefits programs have a deficit of 1.80 percent of payroll. This means that—under the actuaries' best current estimates—social security taxes would have to be increased by a combined 1.80 percentage points (or $27 billion in 1983 terms) for each of the next 75 years. This represents a total deficit of $2.0 trillion over the next 75 years. A deficit of 1.8 percent, when compared to outgo of 14.07 percent, means that about 13 percent of future benefits (1.8 divided by 14.07) over the next 75 years cannot be paid under current law.

If the deficit in the OASDI program is not addressed in the near term, it will become substantially larger on an annual basis in the future. For the last one-third of the 75-year period, for example, there is an average annual deficit of 4.39 percent of taxable payroll ($66 billion per year in 1983 terms). About 26 percent of benefits during the years 2032–2056 cannot be paid under current law.

HI

Unlike the medium-range OASDI financial situation, the 25-year forecast for the HI program is very adverse. As Table 23 shows, the HI program is projected to take in revenues that on average are equal to 2.86 percent of taxable payroll, while outgo on average will equal 4.34 percent of taxable payroll. Thus, the HI program is projected to have a medium-range deficit of 1.48 percent of taxable payroll, or more than twice the surplus projected for OASDI. In 1983 dollars, this is equal to about $22 billion per year, amounting to $560 billion over the 25-year period.

As for the longer term, the HI deficits become progressively more severe. The cost of the program rises from 5.38 percent of taxable payroll in 2000 to 10.76 percent in 2030, whereas income is stable at 2.90 percent of payroll (the combined employee-employer tax rate in the law). Over the 75-year period, the resulting deficit is projected to be 5.21 percent of taxable payroll—in 1983 dollars, about $80 billion a year or $6 trillion in total.

OASDHI COMBINED

When the OASDI and HI trust funds are considered together, the programs become unable to pay benefits in 1984, under all assumptions, and the system does not recover financially during the 75-year projection period. As shown in Table 24, OASDHI has a deficit equal to .82 percent of taxable payroll over the 25-year period 1982–2006. On an aggregate basis, therefore, the three programs supported by the payroll tax are insufficiently financed over the next 25 years, and the system in aggregate would be insolvent.

When the 75-year deficit in HI is combined with the deficit in OASDI, the social security system's long-range deficit averages 7.01 percent of taxable payroll. In 1983 dollars, this is equivalent to $105 billion a year or $8 trillion over the entire 75-year period. This would require a 3.5 percentage point increase in the schedule of social security taxes, for employer and employee, each, or a comparable reduction in the cost of the programs. The longer these changes are delayed, the larger the necessary tax increases or outlay reductions will become. Without substantial advance funding, the total cost of the 3 social security programs is projected to necessitate a 28-percent payroll tax by 2035, in contrast to the 15.3 percent tax rate scheduled in the law for that time.

Evaluating the magnitude of the OASDHI deficit in terms of the proportion of benefits that can not be paid under present law, about 32 percent of OASDHI benefits (7.01 divided by 22.17) are unfinanced over the next 75 years.

TABLE 23.—HI OUTGO AS PERCENT OF TAXABLE PAYROLL, AND COMPARISON WITH SCHEDULED TAX RATE (INTERMEDIATE II–B ASSUMPTIONS) [1]

[Percent of taxable payroll]

Calendar year	HI outgo	Tax rate	Difference	Reserve ratio
1981	2.39	2.6	+.21	45
1982	2.97	2.6	−.37	53
1983	2.58	2.6	+.02	39
1984	2.67	2.6	−.07	41
1985	2.74	2.7	−.04	41
1986	2.86	2.9	+.04	40
1987	3.01	2.9	−.11	42
1988	3.17	2.9	−.27	39
1989	3.34	2.9	−.44	32
1990	3.51	2.9	−.61	21
1991	3.69	2.9	−.79	7
1992	3.87	2.9	−.97	(2)
1993	4.09	2.9	−1.19	.....
1994	4.27	2.9	−1.37	.....
1995	4.47	2.9	−1.57	.....
1996	4.66	2.9	−1.76	.....
1997	4.85	2.9	−1.95	.....

TABLE 23.—HI OUTGO AS PERCENT OF TAXABLE PAYROLL, AND COMPARISON WITH SCHEDULED TAX RATE (INTERMEDIATE II–B ASSUMPTIONS) [1]—Continued

[Percent of taxable payroll]

Calendar year	HI outgo	Tax rate	Difference	Reserve ratio
1998	5.05	2.9	−2.15	
1999	5.21	2.9	−2.31	
2000	5.38	2.9	−2.48	
2001	5.55	2.9	−2.65	
2002	5.72	2.9	−2.82	
2003	5.90	2.9	−3.00	
2004	6.09	2.9	−3.19	
2005	6.29	2.9	−3.39	
2010	7.20	2.9	−4.30	
2015	7.94	2.9	−5.04	
2020	8.89	2.9	−5.99	
2025	9.93	2.9	−7.03	
2030	10.76	2.9	−7.86	
2035	11.17	2.9	−8.27	
2040	11.29	2.9	−8.39	
2045	11.21	2.9	−8.31	
2050	11.19	2.9	−8.29	
2055	11.17	2.9	−8.27	
25-year averages:				
1982–2006	4.34	2.86	−1.48	
2007–2031	8.78	2.90	−5.88	
2032–56	11.19	2.90	−8.29	
75-year average:				
1982–2056	8.10	2.89	−5.21	

[1] Based on 1982 Trustees' report, alternative II–B assumptions, including effects of the Tax Equity and Fiscal Responsibility Act of 1982 for 1982–2005 assuming no sunset of the hospital cost containment provision contained in Section 101 of TEFRA. Also reflects cost of interfund loan from HI to OASI of $5.5 billion in CY 1982. The staff of the National Commission on Social Security Reform extended the projections from 2006 to 2056 under assumptions that hospital costs will rise at the same rate as average wages and that TEFRA will reduce the cost of the HI program by 10½ percent each year.

[2] The trust fund is depleted in 1991.

TABLE 24.—COMBINED OASDHI OUTGO AS PERCENT OF TAXABLE PAYROLL, AND COMPARISON WITH SCHEDULED TAX RATE (INTERMEDIATE II–B ASSUMPTIONS) [1]

[Percent of taxable payroll]

Calendar year	OASDHI outgo	Tax rate	Difference	Reserve ratio
1981	13.69	13.30	−.39	28
1982	14.73	13.40	−1.33	24
1983	14.22	13.40	−.82	19
1984	14.26	13.40	−.86	14
1985	14.40	14.10	−.30	9

TABLE 24.—COMBINED OASDHI OUTGO AS PERCENT OF TAXABLE PAYROLL, AND COMPARISON WITH SCHEDULED TAX RATE (INTERMEDIATE II–B ASSUMPTIONS) [1]—Continued

[Percent of taxable payroll]

Calendar year	OASDHI outgo	Tax rate	Difference	Reserve ratio
1986	14.54	14.30	−.24	6
1987	14.70	14.30	−.40	4
1988	14.83	14.30	−.53	2
1989	14.97	14.30	−.67	−1
1990	15.13	15.30	+.17	−5
1991	15.26	15.30	+.04	−5
1992	15.39	15.30	−.09	NA
1993	15.58	15.30	−.28	NA
1994	15.71	15.30	−.41	NA
1995	15.87	15.30	−.57	NA
1996	15.99	15.30	−.69	NA
1997	16.09	15.30	−.79	NA
1998	16.21	15.30	−.91	NA
1999	16.29	15.30	−.99	NA
2000	16.40	15.30	−1.10	NA
2001	16.51	15.30	−1.21	NA
2002	16.63	15.30	−1.33	NA
2003	16.79	15.30	−1.49	NA
2004	16.98	15.30	−1.68	NA
2005	17.23	15.30	−1.93	NA
2010	18.72	15.30	−3.42	NA
2015	20.75	15.30	−5.45	NA
2020	23.33	15.30	−8.03	NA
2025	25.89	15.30	−10.59	NA
2030	27.58	15.30	−12.28	NA
2035	28.18	15.30	−12.88	NA
2040	28.08	15.30	−12.78	NA
2045	27.86	15.30	−12.56	NA
2050	27.90	15.30	−12.60	NA
2055	27.97	15.30	−12.67	NA
25-year averages:				
1982–2006	15.69	14.87	−.82	NA
2007–31	22.86	15.30	−7.56	NA
2032–56	27.98	15.30	−12.68	NA
75-year average:				
1982–2056	22.17	15.16	−7.01	NA

[1] Based on 1982 Trustees' report, alternative II–B assumptions, including effects of the Tax Equity and Fiscal Responsibility Act of 1982 for 1982–2005, assuming no sunset of the hospital cost containment provision contained in Section 101 of TEFRA. The staff of the National Commission on Social Security Reform extended the HI projections from 2006 to 2056 under assumptions that hospital costs will rise at the same rate as average wages and that TEFRA will reduce the cost of the HI program by 10½ percent each year.

LONG-RANGE STANDARD OF FINANCIAL ADEQUACY

As discussed earlier, the long-range status of the trust funds is estimated on the basis of a variety of economic and demographic factors. Relatively small changes in demographics, moreover, have large long-term consequences. Consider, for example, the fertility rate, which affects the size of the work force that pays social security taxes and, thus, the tax rate required to finance the system. Under intermediate (II–B) assumptions, the ultimate fertility rate (reached in 2005) is 2.1 children per woman. Simply decreasing the fertility assumption to 2.0, while maintaining other II–B assumptions; would increase the deficit by about 15 percent, or 0.27 percent of taxable payroll. Decreasing the fertility rate further to 1.7, as under the pessimistic assumptions in the 1982 Trustees' reports, would increase the deficit by two-thirds. Conversely, increasing the rate to 2.4, as under the optimistic assumptions, would eliminate over 40 percent of the OASDI deficit.

It is unlikely, of course, that the actuaries will succeed in projecting a path which exactly predicts the net outcome of all the various elements over a 75-year period. However, the intermediate projections do represent the actuaries' "best estimate" as of any point in time and are generally considered an acceptable gauge of long-range soundness. They provide a valuable guide to trends which indicate an imbalance in the system, allowing Congress to make necessary corrections gradually and thus avoid sudden shocks which the system would have difficulty absorbing, and to which taxpayers and beneficiaries would have difficulty responding.

The system is considered to be sound in the long-range if, under Trustees' intermediate assumptions, income is sufficient over the 75-year period to meet outgo, i.e., if the long-range deficit is zero. Social security currently falls substantially short of this standard with OASDI running a long-range deficit of 1.8 percent of taxable payroll and OASDHI running a long-range deficit of about 7 percent. As a result, the average cost of the cash benefits programs over the 75-year period is estimated to be 13 percent greater than the programs' income; the average cost of the system (OASI, DI, and HI) is estimated to be about 46 percent greater than the system's income.

V. Savings and Revenue Impact of Recent Legislation

When considering the feasibility of alternative proposals for restoring the financial soundness of social security, the impact of measures already adopted by Congress in the last 5 years should not be overlooked. Tables 25 and 26 reveal that legislation enacted in 1977, 1980, 1981 and 1982 substantially increased revenues to the system, generated some short-range savings, and yet failed to restore solvency on either a short- or long-range basis. As illustrated in Table 26, some $467 billion in new revenues will have been raised in the period 1979–90 as a consequence of this legislation, $438 billion of which will result from the 1977 amendments.

TABLE 25.—ORIGINAL SHORT-RANGE ESTIMATES OF REDUCTION IN OASDI AND HI BENEFIT PAYMENTS DUE TO AMENDMENTS OF 1977, 1980, 1981, AND 1982

[In billions]

Calendar years	Estimates of net reduction in benefit payments, made at time of enactment [1]				
	1977 amendments [2]	1980 amendments	1981 reconciliation	1981 minimum benefit bill	1982 Tax Act
1978	$0.4	.....	.....	.....	.....
1979	.5	.....	.....	.....	.....
1980	.8	([3])	.....	.....	.....
1981	1.4	$0.2	$0.1	.....	.....
1982	1.7	.7	3.5	−$0.9	.....
1983	2.6	1.1	4.7	−1.3	$0.8
1984	3.7	1.4	5.8	−1.3	1.9
1985	4.9	1.8	6.4	−1.3	3.7
1986	6.4	2.2	6.9	−1.3	4.7
1978–86	21.6	7.4	27.4	−6.1	11.1

[1] Figures do not add across because the assumptions underpinning each set of amendments were different from one another. In addition, these estimates were made at the time of enactment and have not been individually re-evaluated since that time. Negative figures represent increases in benefit payments.

[2] For 1977, Public Law 95–216 (Social Security Amendments of 1977); for 1980, figures represent the sum of the estimates made for P.L. 96–265 (the Social Security Disability Amendments of 1980), P.L. 96–473 (an act with respect to the retirement test), and P.L. 96–499 (the Omnibus Reconciliation Act of 1980); for 1981, P.L. 97–35 (the Omnibus Reconciliation Act of 1981) and P.L. 97–123 (the Act to Restore Minimum Benefits), and for 1982, P.L. 97–248 (the Tax Equity and Fiscal Responsibility Act of 1982).

[3] Less than $50 million.

TABLE 26.—ADDITIONAL TAX INCOME IN 1979 TO 1990 TO THE OASDHI PROGRAMS DUE TO THE AMENDMENTS OF 1977, 1981, AND 1982, ON THE BASIS OF 1982 TRUSTEES' INTERMEDIATE (II–B) ASSUMPTIONS

[In billions]

Calendar years	Additional tax income		
	1977 amendments	1981 minimum benefit bill	1982 Tax Act
1979	$6.6	.....	.....
1980	10.0	.....	.....
1981	19.3	.....	.....
1982	23.1	$0.6	.....
1983	25.0	.7	$1.6
1984	27.8	.7	1.9
1985	42.4	.8	2.2
1986	45.1	.9	2.6
1987	48.9	1.0	2.8
1988	52.9	1.0	3.0
1989	57.0	1.1	3.3
1990	86.2	1.3	3.7
1980–90	437.7	8.1	21.2

VI. Resolving the Financing Problem

In the simplest terms, restoring the soundness of social security must be achieved by increasing revenues, by reducing benefits, or by a combination of the two.

INCREASING REVENUES

The most direct method of increasing revenues to the system is through an increase in the social security tax rate or the taxable earnings base (the maximum amount of annual earnings to which the tax rate applies). As noted earlier, the 1977 amendments already provided for significant increases in both of these elements. While further increases in social security tax rates could be enacted, there will be substantial rate increases occurring over the next few years under present law (in 1985, 1986 and 1990).

The 1977 increases in the taxable earnings base will produce a situation in which approximately 91 percent of all wages will ultimately be subject to the tax and 94 percent of all workers covered by social security will have their full earnings taxed. Increases above this level have frequently been opposed because they result in very large individual tax payments. Also, because of the relationship between earnings and benefits, a higher earnings base would produce higher future benefit levels and thus larger long-range benefit costs, which would substantially offset the additional revenue. (While a tax rate increase results in no additional future outgo, an earnings base increase will ultimately result in $1 of additional outgo for each $2 of additional income generated.)

TABLE 27.—ADDITIONAL TAX CONTRIBUTION INCOME TO THE TRUST FUNDS RESULTING FROM SCHEDULED INCREASES IN TAX RATES AND THE TAXABLE EARNINGS BASE, 1982–1990 [1]

[In billions]

Calendar year	Additional tax contributions due to—								
	Increases in the taxable earnings base over the 1981 level			Increases in tax rates over the 1981 level			Increases in both the taxable earnings base and tax rates over 1981 level		
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI	Total
1982	$1.3	$0.3	$1.6	$0.3	.....	$0.3	$1.6	$0.3	$1.9
1983	5.1	1.2	6.3	1.4	.....	1.4	6.5	1.2	7.7
1984	8.7	2.1	10.7	1.6	.....	1.6	10.3	2.1	12.4
1985	13.3	3.2	16.5	11.3	$1.6	12.9	25.4	4.9	30.3
1986	19.0	4.6	23.6	12.6	5.2	17.7	32.8	10.2	43.0
1987	25.4	6.1	31.5	13.3	5.6	18.9	40.4	12.4	52.7

TABLE 27.—ADDITIONAL TAX CONTRIBUTION INCOME TO THE TRUST FUNDS RESULTING FROM SCHEDULED INCREASES IN TAX RATES AND THE TAXABLE EARNINGS BASE, 1982–1990 [1]—Continued

[In billions]

Calendar year	Additional tax contributions due to—								
	Increases in the taxable earnings base over the 1981 level			Increases in tax rates over the 1981 level			Increases in both the taxable earnings base and tax rates over 1981 level		
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI	Total
1988	33.0	7.9	40.9	14.0	5.9	19.9	49.2	14.7	63.9
1989	41.5	10.0	51.5	14.7	6.2	21.0	59.0	17.3	76.3
1990	51.0	12.2	63.2	36.5	6.5	43.0	95.1	20.1	115.3

[1] The above estimates are based on the 1982 Trustees' intermediate II–B assumptions. The combined effect of both rate and base changes is larger than the sum of the components due to interaction. These estimates are based on an assumed earnings base of $35,100 for 1983. The actual earnings base will be $35,700.

Additional revenue could also be achieved by expanding the coverage of the program. The major noncovered groups are Federal employees, those State and local employees who have not been covered under Federal-State agreements and employees of nonprofit organizations who have not elected coverage.

Other potential revenue sources sometimes advocated include general revenues or earmarked revenues from some source other than the payroll tax, such as an income surtax or a value-added tax. Questions can be raised, however, as to whether such proposals should be viewed as providing additional revenues to the system or as representing a fundamental change in the self-contained, earnings-related nature of the program.

DECREASING OUTGO

The other alternative for improving the financial condition of social security is changing the benefit structure or the way benefits are increased so as to lower future benefit payments. In general, proposals to improve the program's financial status by reducing benefit costs can be categorized as: (1) targeted proposals designed to eliminate features which the Congress has found to be inappropriate (as in the case of the general elimination of benefits for prisoners) or of relatively lower priority (as in the case of last year's phasing out of student benefits), or (2) general reductions which apply in a substantially equal way to all beneficiaries or all future beneficiaries. Examples of general reductions in the growth of benefits would be the 1981 change in the benefit rounding rules which will have a minor, but fairly uniform impact on all beneficiaries, or any of the proposed changes in the annual cost of living adjustments.

Given the very large beneficiary population, about 36 million people, generalized reductions in future benefits generally produce more short-range savings than do more targeted adjustments.

VII. Recent History of Underfinancing

Over the period 1973 to 1977, the actuarial forecasts prepared by the Board of Trustees repeatedly warned that the programs were not adequately financed. Moreover, these forecasts grew dramatically worse from one report to the next. In 1973, the Board of Trustees reported a long-range deficit in the OASI and DI trust funds of .32 percent of taxable payroll, an amount equal to slightly less than 3 percent of the expected expenditures. No financial difficulties were foreseen for the next 5 years, and it was estimated that trust fund reserves on hand at the beginning of 1977 would amount to more than 9 month's worth of benefits. In 1977, just 4 years later, the Trustees were projecting a long-range deficit of 8.2 percent of taxable payroll, an amount equal to more than 40 percent of the expected expenditures. Moreover, it was estimated then that the assets of the DI trust fund would be exhausted by 1979, the assets of the OASI trust fund would be exhausted by the mid-1980's, and the assets of the HI trust fund would be exhausted by the late 1980's.

The changes enacted in 1977 were projected at that time to be sufficient to assure adequate funds to meet benefit payments in the cash benefits programs until sometime beyond the year 2025, although earlier action would be required to deal with the deficits in the HI program.

As illustrated in Tables 28 and 29 below, the economic assumptions underlying the 1972 and 1977 legislation were too optimistic, particularly with regard to CPI increases and real wage growth—two essential determinants of the short-range condition of the trust funds.

TABLE 28.—COMPARISON OF ESTIMATED AND ACTUAL KEY ECONOMIC INDICATORS, 1972–73 FORECASTS [1]

[In percent]

Calendar year	Key economic indicators								
	CPI increase			Real wage differential [2]			Unemployment rate		
	Estimated		Actual	Estimated		Actual	Estimated		Actual
	1972	1973		1972	1973		1972	1973	
1972	2.75	.....	3.3	2.25	.....	4.0	4.2	.....	5.6
1973	2.75	3.3	6.2	2.25	2.9	.7	4.2	4.5	4.9
1974	2.75	3.3	11.0	2.25	2.9	−3.5	4.2	4.5	5.6
1975	2.75	3.3	9.1	2.25	2.9	−2.5	4.2	4.5	8.5
1976	2.75	3.3	5.8	2.25	2.9	2.5	4.2	4.5	7.7
1977	2.75	2.75	6.5	2.25	2.9	1.6	4.2	4.5	7.0

TABLE 28.—COMPARISON OF ESTIMATED AND ACTUAL KEY ECONOMIC INDICATORS, 1972–73 FORECASTS [1]—Continued

[In percent]

Calendar year	Key economic indicators								
	CPI increase			Real wage differential [2]			Unemployment rate		
	Estimated		Actual	Estimated		Actual	Estimated		Actual
	1972	1973		1972	1973		1972	1973	
1978	2.75	2.75	7.6	2.25	2.25	0.6	4.2	4.5	6.0
1979	2.75	2.75	11.5	2.25	2.25	−2.7	4.2	4.5	5.8
1980	2.75	2.75	13.5	2.25	2.25	−4.9	4.2	4.5	7.1

[1] There were a number of legislative changes made to the automatic indexing provisions between July 1972 and December 1973.

[2] The increase in average nominal wages in excess of the increase in the CPI.

TABLE 29.—COMPARISON OF ESTIMATED AND ACTUAL KEY ECONOMIC INDICATORS, 1977 FORECAST [1]

[In percent]

Calendar year	Key economic indicators					
	CPI increase		Real wage differential		Unemployment rate	
	Estimated	Actual	Estimated	Actual	Estimated	Actual
1977	6.0	6.5	2.4	1.6	7.1	7.0
1978	5.4	7.6	2.7	0.6	6.3	6.0
1979	5.3	11.5	2.5	−2.7	5.7	5.8
1980	4.7	13.5	2.4	−4.9	5.2	7.1
1981	4.1	10.3	2.3	−1.6	5.0	7.6

[1] The 1977 forecast was based on the intermediate set of assumptions in the 1977 Trustees' report.

Since 1977, the short- and long-range condition of the trust funds has deteriorated continuously. In large measure, this has been the result of prices—which determine benefit increases—growing more rapidly than wages—which determine income to the system. (From 1977 through 1981, price inflation outstripped wage growth by about 1.2 percent per year.) This also worsened the long-range deficit by increasing the level of benefits on which future increases would be based, and reducing on a relative basis the level of earnings subject to the earnings base now and in the future.

The experience of the last decade has shown that, given the way social security benefits are indexed to the CPI while income is determined by wages (and productivity), social security financing is extremely vulnerable to downturns in the economy and especially to situations in which prices grow more rapidly than wages.

TABLE 30.—LONG-RANGE OASDHI FINANCIAL FORECASTS IN PREVIOUS TRUSTEES' REPORTS, 1977 TO 1982 (INTERMEDIATE ASSUMPTIONS)

[In percent of taxable payroll]

	Average scheduled tax rate	Average expenditures	Difference (actuarial imbalance)
OASDI program—75-year forecast:			
Prior to 1977 Amendments (1977 Trustees' Report)	10.99	19.19	—8.20
Just after enactment of 1977 Amendments	12.12	13.58	—1.46
Trustees' report:			
1978	12.16	13.55	—1.40
1979	12.19	13.38	—1.20
1980	12.22	13.74	—1.52
1981	12.25	14.07	—1.82
1982	12.27	14.09	—1.82
HI program—25-year forecast:			
Prior to 1977 Amendments	2.80	3.96	—1.16
Just after enactment of 1977 Amendments	2.70	3.71	—1.01
Trustees' report:			
1978	2.74	3.86	—1.12
1979	2.78	3.82	—1.04
1980	2.81	3.80	—.99
1981	2.84	4.28	—1.44
1982	2.86	4.83	—2.07

VIII. Summary Tables

Program Data

The following tables provide historical and other summary program data:

TABLE 31.—SUMMARY OF CURRENT SOCIAL SECURITY INFORMATION

1. *Retirement Test* (Annual Exempt Amounts):

	1982	1983
Age 65 and over	$6,000	$6,600
Under age 65	4,440	4,920

2. *SMI Premium:* $12.20 per month (eff. 7/82).

3. *SSI Payment Standard:* $284.30 individual, $426.40 couple (eff. 7/82).

4. *Benefit Formulas for 1982 Cohort*

PIA	Maximum Family Benefit
90% of first $230 of AIME, plus 32% of AIME over $230 thru $1,388, plus 15% of AIME over $1,388	150% of first $294 of PIA, plus 272% of PIA over $294 thru $425, plus 134% of PIA over $425 thru $554, plus 175% of PIA over $554

5. *Benefit Formulas for 1983 Cohort*

PIA	Maximum Family Benefit
90% of first $254 of AIME, plus 32% of AIME over $254 thru $1,528, plus 15% of AIME over $1,528	150% of first $324 of PIA, plus 272% of PIA over $324 thru $468, plus 134% of PIA over $468 thru $610, plus 175% of PIA over $610

6. *Average Benefits in Current Pay Status:*

	12/81	5/82	6/82
Retired worker alone	$377	$378	$406
Retired couple	643	647	695
Aged widow or widower	349	351	377
Young survivor family	858	851	914
Disabled worker alone	397	398	428
Disabled worker and family	802	793	851

[1] Office of the Actuary, Social Security Administration.

7. *Benefit Examples:*[1]

Retired Worker Age 65 in 1983 (1/83 PIA)		Long-Range Constant Replacement Rate Under Decoupled System	
	Amount		Percent
Fed. min. wage earner.	$368.70	Fed. minimum wage earner	55
Average earner	553.50	Average earner	42
Maximum earner.	709.50	Maximum earner	28

[1] 1982 Trustees' report alternative II–B assumptions.

8. *Poverty Level:*[1]

	1980	1981	1982 (projected)
Aged individual	$3,949	$4,359	$4,603
Couple, aged head	4,983	5,498	5,806
Family of four	8,414	9,287	9,807

[1] Office of Research and Statistics, Social Security Administration.

TABLE 32.—TOTAL OASDI BENEFICIARIES OVER THE YEARS

Calendar year[1]	Beneficiaries (in thousands)[2]		
	OASI	DI	Total
1940			
1945	1,106		1,106
1950	2,930		2,930
1955	7,563		7,563
1960	13,740	522	14,262
1965	18,509	1,648	20,157
1970	23,185	2,568	25,753
1975	27,244	4,125	31,369

TABLE 32.—TOTAL OASDI BENEFICIARIES OVER THE YEARS—Continued

Calendar year[1]	Beneficiaries (in thousands)[2]		
	OASI	DI	Total
1980	30,384	4,734	35,118
1981	31,074	4,636	35,710
1982	31,207	4,184	35,391

[1] As of June of each year.
[2] Beneficiaries in current pay status.
Source: SSA.

TABLE 33.—OASDI CASH BENEFITS: NUMBER AND AVERAGE AMOUNT, AUGUST 1982

Type of beneficiary	New benefit awards		Benefits in current-payment status[1]		
	Number	Average amount[3]	Number	Average amount[3]	Monthly amount (in thousands)
Total monthly beneficiaries	332,913	.....	35,278,027	.....[2 3]	$13,086,992
Total adult men[1]	105,390	.....	13,042,461	.....	6,033,134
Total adult women[1]	161,746	.....	19,134,849	.....	6,356,666
Retired workers, spouses and children	194,947	.....	24,005,145	.....	9,255,533
Retired workers	148,620	$413.50	20,496,876	$416.60	8,538,944
Men	86,456	488.23	10,903,176	466.17	5,082,737
Women	62,164	309.57	9,593,700	360.26	3,456,207
Wives and husbands	32,486	202.21	3,024,259	210.91	637,861
Children	13,841	176.98	484,010	162.66	78,728
Disabled workers, spouses and children	47,307	.....	4,041,334	.....	1,352,508
Disabled workers	22,060	440.94	2,657,345	442.16	1,174,966
Men	15,369	490.06	1,784,380	486.87	868,766
Women	6,691	328.11	872,965	350.76	306,199
Wives and husbands	6,193	119.94	385,351	130.55	50,306
Children	19,054	120.08	998,638	127.41	127,236
Survivors of deceased workers	90,601	.....	7,164,960	.....	2,470,646
Widowed mothers and fathers	7,953	279.73	509,543	304.48	155,145
Children	34,740	275.01	2,086,474	290.33	605,762
Widows and widowers	47,068	378.49	4,439,567	377.72	1,676,906
Disabled widows and widowers	794	250.41	116,533	244.76	28,523
Parents	46	364.05	12,843	335.52	4,309
Special age-72 beneficiaries	58	.....	66,588	.....	8,305

[1] Excludes children under age 18 and student children; includes disabled children.
[2] The sum of individual categories may not equal the totals due to independent roundings.
[3] Represents amount before final rounding of benefits.
Source: Social Security Administration.

TABLE 34.—SOCIAL SECURITY EXPENDITURES CALENDAR YEARS 1940–82

[In millions]

	OASI	DI	Total OASDI	HI	Total OASI, DI, HI	OASDHI 1981 dollars [1]
1940	$62	.....	.....	.....	.....	$402
1950	1,022	.....	.....	.....	.....	3,861
1960	11,198	$600	$11,798	.....	.....	36,735
1961	12,432	956	13,388	.....	.....	40,705
1962	13,973	1,183	15,156	.....	.....	45,568
1963	14,920	1,297	16,217	.....	.....	48,179
1964	15,613	1,407	17,020	.....	.....	49,912
1965	17,501	1,687	19,188	.....	.....	55,313
1966	18,967	1,947	20,914	$999	$21,913	61,415
1967	20,382	2,089	22,471	3,430	25,901	70,556
1968	23,557	2,458	26,015	4,277	30,292	79,195
1969	25,176	2,716	27,892	4,857	32,749	81,243
1970	29,848	3,259	33,107	5,281	38,388	89,923
1971	34,542	4,000	38,542	5,900	44,442	99,802
1972	38,522	4,759	43,281	6,503	49,784	108,226
1973	47,175	5,973	53,148	7,289	60,437	123,694
1974	53,397	7,196	60,593	9,372	69,965	129,039
1975	60,395	8,790	60,185	11,581	71,766	121,267
1976	67,876	10,366	78,242	13,679	91,921	146,862
1977	75,309	11,946	87,255	16,019	103,274	154,996
1978	83,064	12,954	96,018	18,178	114,196	159,203
1979	93,133	14,186	107,319	21,078	128,397	160,878
1980	107,678	15,872	123,550	25,577	149,127	164,599
1981	126,695	17,658	144,352	30,726	175,078	175,078
1982 [2]	141,771	18,508	160,279	35,670	195,949	.....

[1] Based on CPI, all items.
[2] Estimated under alternative II–B assumptions in 1982 Trustees' report.

TABLE 35.—AMOUNT OF NET ADMINISTRATIVE EXPENSES AND NET ADMINISTRATIVE EXPENSES EXPRESSED AS A PERCENTAGE OF BENEFIT PAYMENTS, SELECTED FISCAL YEARS 1950–82

Fiscal year	Net administrative expenses (in millions)				As a percentage of benefit payments			
	OASI	DI	HI	OASDHI	OASI	DI	HI	OASDHI
1950	$57	.....	.....	$57	8	.....	.....	8
1960	202	$32	.....	234	2	6	.....	2
1970	474	149	$149	772	2	5	3	2
1975	848	253	259	1,360	2	3	3	2
1980	1,160	334	497	1,991	1	2	2	1
1982 [1]	1,443	550	564	2,557	1	3	2	1

[1] Preliminary, based on 1982 Trustees' Reports.

Benefits and Taxes.—The following tables provide information on past and future benefits and taxes, and benefits in relation to inflation and wage growth.

TABLE 36.—COMPARISON OF OASDI GENERAL BENEFIT INCREASES WITH INCREASES IN CONSUMER PRICE INDEX

[In percent]

Month when first effective	Benefit increase [1]	Increase in CPI from previous effective date	Excess of benefit increase over CPI increase
September 1950	[2] 77	75.5	+1.5
September 1952	[3] 15	9.3	+5.7
September 1954	[3] 13	.5	+12.5
January 1959	7	7.9	−.9
January 1965	7	7.9	−.9
February 1968	13	9.3	+3.7
January 1970	15	10.8	+4.2
January 1971	10	5.2	+4.8
September 1972	20	5.9	+14.1
June 1974	[4] 11	16.4	−5.4
June 1975	[5] 8.0	9.3	−1.3
June 1976	6.4	5.4	+1.0
June 1977	5.9	6.9	−1.0
June 1978	6.5	7.3	−.8
June 1979	9.9	11.1	−1.2
June 1980	14.3	14.2	+.1
June 1981	11.2	9.5	+1.7
June 1982	7.4	6.9	+.5

[1] All benefit increases, except those for September 1950, 1952, and 1954, were uniform across-the-board percentage increases (at times with somewhat larger proportionate increases in the minimum benefit).
[2] Measured from January 1940.
[3] Average increase in benefits for those then on the roll.
[4] Made in two steps, with 7% being effective for March 1974.
[5] Resulting from automatic-adjustment provisions in 1975 and after.

TABLE 37.—COMPARISON OF OASDI GENERAL BENEFIT INCREASES WITH INCREASES IN AVERAGE WAGE LEVELS

[In percent]

Period	OASDI benefit increases [1]	Increase in average wages [2]	Excess of benefit increase over wage increase
January 1940 to September 1950	77.0	121.8	−44.8
September 1950 to September 1952	15.0	15.8	−.8
September 1952 to September 1954	13.0	5.9	+7.1
September 1954 to January 1959	7.0	18.4	−11.4

TABLE 37.—COMPARISON OF OASDI GENERAL BENEFIT INCREASES WITH INCREASES IN AVERAGE WAGE LEVELS—Continued

[In percent]

Period	OASDI benefit increases [1]	Increase in average wages [2]	Excess of benefit increase over wage increase
January 1959 to January 1965	7.0	22.5	−15.5
January 1965 to February 1968	13.0	17.7	−4.7
February 1968 to January 1970	15.0	11.3	+3.7
January 1970 to January 1971	10.0	5.0	+5.0
January 1971 to September 1972	20.0	13.7	+6.3
September 1972 to June 1974	11.0	10.9	+.1
June 1974 to June 1975	8.0	7.4	+.6
June 1975 to June 1976	6.4	6.9	−.5
June 1976 to June 1977	5.9	6.0	−.1
June 1977 to June 1978	6.5	7.9	−1.4
June 1978 to June 1979	9.9	8.7	+1.2
June 1979 to June 1980	14.3	9.0	+5.3
June 1980 to June 1981	11.2	[3] 8.7	+2.5
June 1981 to June 1982	7.4	[3] 6.7	+.7

[1] See note 1 in Table 36.
[2] Based on wages in covered employment in first quarter of year for years up through 1977, and based on total nationwide wages reported to IRS (in both covered and noncovered employment) for subsequent years.
[3] Based on alternative II–B assumptions in 1982 Trustees' Report.

TABLE 38.—HISTORICAL COMPARISON OF AVERAGE WAGE INCREASES TO BENEFIT INCREASES AND CHANGES IN CPI

[In percent]

	Increase in wages [1]		Increase in CPI		Benefit increases	
	Year to year	Cumulative since year of each benefit increase to 1981	Year to year	Cumulative since year of each benefit increase to 1981	Increase during year	Cumulative since year of each benefit increase to 1981
1940		1,038.7		548.3		788.0
1950	112.9	434.9	71.7	277.6	77.0	401.7
1952	16.9	357.7	10.5	241.7	12.5	345.9
1954	6.1	331.2	1.0	238.3	13.0	294.6
1959	22.2	252.9	8.4	212.1	7.0	268.8
1965	20.8	192.1	8.2	188.4	7.0	244.7
1968	19.6	144.2	10.3	161.5	13.0	205.1
1970	11.0	120.0	11.6	134.3	15.0	165.3
1971	5.0	109.4	4.3	124.7	10.0	141.1
1972	9.8	90.7	3.3	117.5	20.0	101.0
1974	12.6	69.4	17.9	84.5	11.0	81.0

TABLE 38.—HISTORICAL COMPARISON OF AVERAGE WAGE INCREASES TO BENEFIT INCREASES AND CHANGES IN CPI—Continued

[In percent]

	Increase in wages [1]		Increase in CPI		Benefit increases	
	Year to year	Cumulative since year of each benefit increase to 1981	Year to year	Cumulative since year of each benefit increase to 1981	Increase during year	Cumulative since year of each benefit increase to 1981
1975 [2]	7.5	57.7	9.1	68.1	8.0	67.6
1976	6.9	47.5	5.8	59.8	6.4	57.5
1977	6.0	39.1	6.5	50.1	5.9	48.8
1978	7.9	28.9	7.6	39.5	6.5	39.7
1979	8.7	18.5	11.5	25.1	9.9	27.1
1980	9.0	[3] 8.7	13.5	10.3	14.3	11.2
1981	[3] 8.7	.....	10.3	.....	11.2	.....
1982	.....	.....	.....	.....	7.4	.....

[1] See note 2 in table 37.
[2] Increases from 1975 on were tied to increases in the CPI.
[3] Estimates from 1982 Trustees' Report intermediate II–B assumptions.

Source: Congressional Research Service.

TABLE 39.—PAST AND FUTURE EARNINGS LEVELS, BENEFITS IN ACTUAL AND CONSTANT DOLLARS, AND REPLACEMENT RATES, FOR RETIRED WORKERS ONLY

Calendar year	Actual earnings in previous year			Annual initial benefit amount (actual dollars)			Annual initial benefit amount (1982 constant dollars)			Replacement rates (in percent)		
	Low earner	Average earner	Maximum earner	Low earner	Average earner	Maximum earner	Low earner	Average earner	Maximum earner	Low earner	Average earner	Maximum earner
1940	$537	$1,142	$3,000	$213	$294	$494	$1,531	$2,123	$3,570	39.6	25.8	16.5
1945	624	1,936	3,000	249	340	518	1,400	1,912	2,917	39.9	17.5	17.3
1950	832	2,483	3,000	356	489	636	1,168	1,646	2,277	42.8	19.7	21.2
1955	1,560	3,156	3,600	774	1,091	1,182	2,926	4,119	4,466	49.6	34.6	32.8
1960	2,080	3,856	4,800	936	1,284	1,428	3,198	4,395	4,886	45.0	33.3	29.7
1965	2,600	4,576	4,800	1,040	1,439	1,580	3,337	4,619	5,073	40.0	31.4	32.9
1970	3,328	5,894	7,800	1,421	2,021	2,278	3,708	5,271	5,945	42.7	34.3	29.2
1975	3,883	8,031	13,200	2,309	3,400	3,973	4,151	6,112	7,147	59.5	42.3	30.1
1980	6,032	11,479	22,900	3,859	5,862	7,437	4,374	6,647	8,432	64.0	51.1	32.5
1981	6,448	12,513	25,900	4,420	6,812	8,655	4,620	7,125	9,058	68.5	54.4	33.4
1982	6,968	13,594	29,700	4,444	6,702	8,500	4,444	6,702	8,500	63.8	49.3	28.6
1983	6,968	14,496	32,400	4,612	6,911	8,879	4,267	6,401	8,220	66.2	47.7	27.4
1984	7,530	15,664	35,100	4,703	7,069	9,152	4,047	6,087	7,882	62.5	45.1	26.1
1985	8,136	16,926	37,500	4,977	7,403	9,666	4,037	6,005	7,837	61.2	43.7	25.8
1986	8,700	18,099	40,500	5,294	7,965	10,449	4,080	6,134	8,054	60.8	44.0	25.8
1987	9,292	19,329	43,800	5,606	8,354	11,042	4,103	6,112	8,089	60.3	43.2	25.2
1988	9,907	20,610	46,800	5,918	8,829	11,733	4,117	6,144	8,172	59.7	42.8	25.1
1989	10,560	21,968	50,100	6,273	9,381	12,537	4,140	6,237	8,337	58.9	42.7	25.0
1990	11,231	23,364	53,400	6,535	9,890	13,305	4,164	6,306	8,486	58.2	42.3	24.9
2000	19,320	40,191	93,300	11,053	16,921	24,241	4,771	7,311	10,471	57.2	42.1	26.0
2010	33,001	68,652	159,300	18,480	28,906	44,112	5,397	8,440	12,880	56.0	42.1	27.7
2020	56,370	117,268	271,800	31,146	49,391	77,033	6,143	9,737	15,191	55.3	42.1	28.3
2030	96,289	200,311	465,000	52,936	84,382	131,830	7,053	11,240	17,566	55.0	42.1	28.4
2040	164,475	342,160	795,400	90,438	144,146	225,199	8,139	12,975	20,272	55.0	42.1	28.3
2050	280,947	584,459	1,357,200	154,488	246,238	384,702	9,395	14,977	23,395	55.0	42.1	28.3

Based on 1982 Trustees' intermediate II–B assumptions and retirement at age 65.

TABLE 40.—PAST AND FUTURE EARNINGS LEVELS, BENEFITS IN ACTUAL AND CONSTANT DOLLARS, AND REPLACEMENT RATES, FOR RETIRED WORKERS WITH DEPENDENT SPOUSES

Calendar year	Actual earnings in previous year			Annual initial benefit amount (actual dollars)			Annual initial benefit amount (1982 constant dollars)			Replacement rates (in percent)		
	Low earner	Average earner	Maximum earner	Low earner	Average earner	Maximum earner	Low earner	Average earner	Maximum earner	Low earner	Average earner	Maximum earner
1940	$537	$1,142	$3,000	$320	$441	$741	$2,297	$3,185	$5,355	59.6	38.6	24.7
1945	624	1,936	3,000	374	510	777	2,100	2,868	4,376	59.9	26.3	25.9
1950	832	2,483	3,000	534	734	954	1,752	2,469	3,416	64.2	29.6	31.8
1955	1,560	3,156	3,600	1,161	1,637	1,773	4,389	6,179	6,699	74.4	51.9	49.3
1960	2,080	3,856	4,800	1,404	1,926	2,142	4,797	6,593	7,329	67.5	49.9	44.6
1965	2,600	4,576	4,800	1,560	2,159	2,370	5,006	6,929	7,610	60.0	47.2	49.4
1970	3,328	5,894	7,800	2,132	3,032	3,417	5,562	7,907	8,918	64.1	51.4	43.8
1975	3,883	8,031	13,200	3,464	5,100	5,960	6,227	9,168	10,721	89.2	63.5	45.2
1980	6,032	11,479	22,900	5,789	8,793	11,156	6,561	9,971	12,648	96.0	76.6	48.7
1981	6,448	12,513	25,900	6,630	10,218	12,983	6,930	10,688	13,587	102.8	81.7	50.1
1982	6,968	13,594	29,700	6,666	10,053	12,750	6,666	10,053	12,750	95.7	74.0	42.9
1983	6,968	14,496	32,400	6,918	10,367	13,319	6,401	9,602	12,330	99.3	71.5	41.1
1984	7,530	15,664	35,100	7,055	10,604	13,728	6,071	9,131	11,823	93.7	67.7	39.1
1985	8,136	16,926	37,500	7,466	11,105	14,499	6,056	9,008	11,756	91.8	65.6	38.7
1986	8,700	18,099	40,500	7,941	11,948	15,674	6,120	9,201	12,081	91.3	66.0	38.7
1987	9,292	19,329	43,800	8,409	12,531	16,563	6,155	9,168	12,134	90.5	64.8	37.8
1988	9,907	20,610	46,800	8,877	13,244	17,600	6,176	9,216	12,258	89.6	64.3	37.6
1989	10,560	21,968	50,100	9,335	14,072	18,806	6,210	9,356	12,506	88.4	64.1	37.5
1990	11,231	23,364	53,400	9,803	14,835	19,958	6,246	9,459	12,729	87.3	63.5	37.4
2000	19,320	40,191	93,300	16,578	25,382	36,362	7,157	10,967	15,707	85.8	63.2	39.0
2010	33,001	68,652	159,300	27,720	43,359	66,168	8,096	12,660	19,320	84.0	63.2	41.5
2020	56,370	117,268	271,800	46,719	74,087	115,550	9,215	14,606	22,787	82.9	63.2	42.5
2030	96,289	200,311	465,000	79,404	126,573	197,745	10,580	16,860	26,349	82.5	63.2	42.5
2040	164,475	342,160	794,400	135,657	216,219	337,799	12,209	19,463	30,408	82.5	63.2	42.5
2050	280,947	584,459	1,357,200	231,732	369,357	577,053	14,093	22,466	35,093	82.5	63.2	42.5

Based on 1982 Trustees' intermediate II–B assumptions and retirement at age 65.

TABLE 41.—OASDI–HI TAXES PAID BY WORKERS AT FEDERAL MINIMUM, AVERAGE AND MAXIMUM WAGE LEVELS, 1937–90

Year	Federal minimum wage		Average wages		Maximum taxable earnings base		
	Earnings	Employee taxes	Earnings	Employee taxes	Earnings	Employee taxes	Self-employed taxes
Historical:							
1937	(1)	(1)	$1,137.96	$11.38	$3,000	$30.00	(2)
1938	$87	$0.87	1,053.24	10.53	3,000	30.00	(2)
1939	537	5.37	1,142.36	11.42	3,000	30.00	(2)
1940	624	6.24	1,195.00	11.95	3,000	30.00	(2)
1941	624	6.24	1,276.04	12.76	3,000	30.00	(2)
1942	624	6.24	1,454.28	14.54	3,000	30.00	(2)
1943	624	6.24	1,713.52	17.14	3,000	30.00	(2)
1944	624	6.24	1,936.32	19.36	3,000	30.00	(2)
1945	659	6.59	2,021.40	20.21	3,000	30.00	(2)
1946	832	8.32	1,891.76	18.92	3,000	30.00	(2)
1947	832	8.32	2,175.32	21.75	3,000	30.00	(2)
1948	832	8.32	2,361.64	23.62	3,000	30.00	(2)
1949	832	8.32	2,483.20	24.83	3,000	30.00	(2)
1950	1,499	22.49	2,543.96	38.16	3,000	45.00	(2)
1951	1,560	23.40	2,799.16	41.99	3,600	54.00	$81.00
1952	1,560	23.40	2,973.32	44.60	3,600	54.00	81.00
1953	1,560	23.40	3,139.44	47.09	3,600	54.00	81.00
1954	1,560	31.20	3,155.64	63.11	3,600	72.00	108.00
1955	1,560	31.20	3,301.44	66.03	4,200	84.00	126.00
1956	1,993	39.86	3,532.36	70.65	4,200	84.00	126.00
1957	2,080	46.80	3,641.72	81.94	4,200	94.50	141.75
1958	2,080	46.80	3,673.80	82.66	4,200	94.50	141.75
1959	2,080	52.00	3,855.80	96.39	4,800	120.00	180.00
1960	2,080	62.40	4,007.12	120.21	4,800	144.00	216.00
1961	2,184	65.52	4,086.76	122.60	4,800	144.00	216.00
1962	2,392	74.75	4,291.40	134.11	4,800	150.00	225.60
1963	2,461	89.21	4,396.64	159.38	4,800	174.00	259.20
1964	2,600	94.25	4,576.32	165.89	4,800	174.00	259.20
1965	2,600	94.25	4,658.72	168.88	4,800	174.00	259.20
1966	2,600	108.20	4,938.36	207.41	6,600	277.20	405.90
1967	2,886	126.98	5,213.44	229.39	6,600	290.40	422.40
1968	3,293	144.89	5,571.76	245.16	7,800	343.20	499.20
1969	3,328	159.74	5,893.76	282.90	7,800	374.40	538.20
1970	3,328	159.74	6,186.24	296.94	7,800	374.40	538.20
1971	3,328	173.06	6,497.08	337.85	7,800	405.60	585.00
1972	3,328	173.06	7,133.80	370.96	9,000	468.00	675.00
1973	3,328	194.69	7,580.16	443.44	10,800	631.80	864.00
1974	3,883	227.16	8,030.76	469.80	13,200	772.20	1,042.80
1975	4,368	255.53	8,630.92	504.91	14,100	824.85	1,113.90
1976	4,784	279.86	9,226.48	539.75	15,300	895.05	1,208.70
1977	4,784	279.86	9,776.44	572.10	16,500	965.25	1,303.50
1978	5,512	333.48	10,556.03	638.64	17,700	1,070.85	1,433.70
1979	6,032	369.76	11,479.46	703.69	22,900	1,403.77	1,854.90
1980	6,448	395.26	12,513.46	767.08	25,900	1,587.67	2,097.90
1981	6,968	463.37	13,594.27	904.02	29,700	1,975.05	2,762.10
1982	6,968	466.86	14,495.68	971.21	32,400	2,170.80	3,029.40
Cumulative:							
1937–82	.....	5,210.74	.....	10,207.35	.....	16,936.49	[2] 22,876.50

TABLE 41.—OASDI–HI TAXES PAID BY WORKERS AT FEDERAL MINIMUM, AVERAGE AND MAXIMUM WAGE LEVELS, 1937–90—Continued

Year	Federal minimum wage		Average wages		Maximum taxable earnings base		
	Earnings	Employee taxes	Earnings	Employee taxes	Earnings	Employee taxes	Self-employed taxes
1951–82		5,110.94		9,950.78		16,501.49	22,876.50
Future years: [3]							
1983	7,530	504.51	15,663.97	1,049.49	35,700	2,391.90	3,337.95
1984	8,137	545.18	16,926.39	1,134.07	37,500	2,512.50	3,506.25
1985	8,700	613.35	18,099.11	1,275.99	40,500	2,855.25	4,009.50
1986	9,292	664.38	19,329.42	1,382.05	43,800	3,131.70	4,380.00
1987	9,907	708.35	20,609.56	1,473.58	46,800	3,346.20	4,680.00
1988	10,560	755.04	21,968.32	1,570.73	50,100	3,582.15	5,010.00
1989	11,231	803.02	23,363.63	1,670.50	53,400	3,818.10	5,340.00
1990	11,906	910.81	24,767.80	1,894.74	57,000	4,360.50	6,127.50

[1] Federal minimum wage first applicable in 1938.
[2] Self-employed first covered effective 1951.
[3] Earnings amounts after 1982 based on Alternative II–B assumptions used in 1982 OASDI Trustees Report.

TABLE 42.—SOCIAL SECURITY TAXES PAID BY WORKERS AT VARIOUS EARNINGS LEVELS, 1960–87

Wage or salaried worker with annual wages of	Amount of worker's social security tax liability in calendar years				
	1960	1970	1975	1982	1987 [1]
$5,000	$144.00	$240.00	$292.50	$335.00	$357.50
$10,000	144.00	374.40	585.00	670.00	715.00
$20,000	144.00	374.40	824.85	1,340.00	1,430.00
$30,000	144.00	374.40	824.85	2,010.00	2,145.00
$40,000	144.00	374.40	824.85	2,170.80	2,860.00
$50,000	144.00	374.40	824.85	2,170.80	3,346.20

Self-employed worker with annual earnings of	Amount of worker's social security tax liability in calendar years				
	1960	1970	1975	1982	1987 [1]
$5,000	$216.00	$345.00	$395.00	$467.50	$500.00
$10,000	216.00	538.20	790.00	935.00	1,000.00
$20,000	216.00	538.20	1,113.90	1,870.00	2,000.00
$30,000	216.00	538.20	1,113.90	2,805.00	3,000.00
$40,000	216.00	538.20	1,113.90	3,029.40	4,000.00
$50,000	216.00	538.20	1,113.90	3,029.40	4,680.00

[1] Based on a taxable earnings base of $46,800 projected under the intermediate II–B assumptions of the 1982 Trustees' report and currently scheduled tax rates.

Other Financing Data.—Included in this section is further statistical data on social security income, trust fund operations, and reserve needs.

TABLE 43.—TOTAL SOCIAL SECURITY INCOME AND PAYROLL TAX REVENUE COMPONENT, SELECTED FISCAL YEARS 1950–81

Fiscal year	Total income (in millions)				Payroll tax income as a percent of total income			
	OASI	DI	HI	OASDHI	OASI	DI	HI	OASDHI
1950	$2,367	.....	.....	$2,367	89.0	.....	.....	89.0
1960	10,360	1,034	.....	11,394	95.0	95.5	.....	95.0
1970	31,746	4,380	5,614	41,740	94.4	94.5	85.2	93.2
1980	100,051	17,376	25,415	142,842	97.6	96.7	91.5	96.4
1981	121,572	12,993	32,863	167,428	97.9	96.9	92.6	96.8

Source: 1982 Social Security Trustees' reports.

TABLE 44.—INTEREST AS A COMPONENT OF SOCIAL SECURITY INCOME, SELECTED FISCAL YEARS 1950–1981

Fiscal year	Interest income (in millions)				As a percentage of total income			
	OASI	DI	HI	OASDHI	OASI	DI	HI	OASDHI
1950	$257	.....	.....	$257	11	.....	.....	11
1960	517	$47	.....	564	5	5	.....	5
1970	1,350	223	$137	1,710	4	5	2	4
1975	2,292	512	609	3,413	4	6	5	4
1980	1,886	453	1,039	3,378	2	3	4	2
1981	2,016	273	1,307	3,596	2	2	4	2

Source: 1982 Social Security Trustees' reports.

TABLE 45.—GENERAL REVENUE REIMBURSEMENT AS A COMPONENT OF SOCIAL SECURITY INCOME, SELECTED FISCAL YEARS 1950–1981

Fiscal year	General revenue reimbursement income [1] (in millions)				As a percentage of total income			
	OASI	DI	HI	OASDHI	OASI	DI	HI	OASDHI
1950	$4			$4	(2)			(2)
1960								
1970	442	$16	$628	1,086	1	(2)	11	3
1975	447	52	529	1,028	1	1	4	1
1980	557	118	871	1,546	1	1	3	1
1981	540	130	834	1,504	(2)	1	3	1

[1] Consists of reimbursement to the trust funds for:
a. Payments resulting from noncontributory military service.
b. Cash payments to noninsured persons aged 72 or over.
c. Medicare benefits for uninsured persons.
d. Review of Medicaid and Maternal and Child Health hospital admissions.

[2] Less than 0.05 percent.

Source: 1982 Social Security Trustees' reports.

TABLE 46.—ESTIMATED TRUST FUND OPERATIONS: CBO ECONOMIC ASSUMPTIONS, FY 1980–90 [1]

[In billions]

Fiscal year	Income					Outgo				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI [2]	Total
1980	$100.1	$17.4	$117.4	$25.4	$142.8	$103.2	$15.3	$118.5	$24.3	$142.8
1981	121.6	13.0	134.6	32.9	167.4	122.3	17.3	139.6	29.3	168.8
1982	127.4	21.3	148.7	37.6	186.3	138.3	18.4	156.7	34.5	191.1
1983	144.5	18.7	163.2	35.7	198.9	152.6	19.2	171.8	37.8	209.5
1984	143.3	27.3	170.6	46.0	216.6	166.2	19.7	185.9	43.0	228.8
1985	158.9	33.6	192.5	51.5	243.9	179.0	19.7	198.7	48.6	247.2
1986	173.6	39.1	212.7	58.9	271.6	194.6	20.1	214.7	57.2	271.9
1987	186.9	43.3	230.2	64.6	294.8	211.3	21.2	232.5	66.9	299.4
1988	203.1	48.4	251.5	69.7	321.2	229.8	23.0	252.8	76.3	329.0
1989	217.7	53.2	270.9	74.0	344.9	249.4	25.3	274.7	86.9	361.5
1990	246.9	64.2	311.1	78.3	389.4	269.2	27.7	296.9	98.9	395.8

	Net increase in funds					Funds at end of year					Assets at beginning of year as a percentage of outgo during year				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	−$3.2	$2.1	−$1.1	$1.1	(3)	$24.6	$7.7	$32.2	$14.5	$46.7	27.0	37.0	28.0	55.0	33.0
1981	−0.7	−4.3	−5.0	3.6	−1.4	23.8	3.4	27.2	18.1	45.3	20.0	44.0	23.0	50.0	28.0
1982	−10.9	2.9	−8.0	3.1	−4.8	12.9	6.4	19.3	21.3	40.5	17.2	18.5	17.4	52.5	23.7
1983	−8.1	−0.5	−8.6	−2.1	−10.6	4.8	5.9	10.7	19.2	29.8	8.5	33.1	11.2	56.3	19.3
1984	−22.9	7.6	−15.3	3.0	−12.2	−18.4	13.5	−4.9	22.2	17.3	2.9	29.9	5.8	44.6	13.0
1985	−20.1	13.9	−6.2	2.9	−3.3	−38.2	27.4	−10.8	25.2	14.3	−10.1	68.7	−2.5	45.8	7.1
1986	−21.0	19.0	−2.0	1.7	−0.3	−59.2	46.4	−12.8	26.8	14.0	−19.6	136.4	−5.0	43.9	5.3
1987	−24.3	22.1	−2.3	−2.3	−4.6	−83.6	68.6	−15.0	24.5	9.5	−28.0	219.3	−5.5	40.1	4.7
1988	−26.7	25.4	−1.3	−6.6	−7.8	−110.2	94.0	−16.2	18.0	1.7	−36.4	298.6	−5.9	32.2	2.9
1989	−31.7	27.9	−3.8	−12.9	−16.6	−141.9	122.0	−19.9	5.1	−14.9	−44.2	372.2	−5.9	20.7	0.5
1990	−22.3	36.5	14.2	−20.6	−6.4	−164.2	158.4	−5.8	−15.5	−21.3	−52.7	439.7	−6.7	5.2	−3.8

[1] Includes the effects of the Tax Equity and Fiscal Responsibility Act of 1982.

[2] Does not reflect the effects of the delay in periodic interim payments provided under Public Law 97–248. [3] Less than $0.1 billion.

1. The income figures for 1982, and the end-of-year asset figures for 1982 and later, reflect the transfer of funds from the DI and HI Trust Funds to the OASI Trust Fund under the interfund borrowing authority provided by Public Law 97–123. Under this set of assumptions, a total of $12.4 billion would be transferred to OASI in 1982, $6.1 billion from DI and $6.3 billion from HI.

2. The estimated operations for OASI, OASDI, and OASDI and HI combined in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in July 1983 when assets would become insufficient to pay benefits when due. Similarly, the HI Trust Fund operations in 1988 and later are theoretical, since the fund would be depleted in 1988 under this set of assumptions.

TABLE 47.—ESTIMATED TRUST FUND OPERATIONS: 1982 TRUSTEES REPORT "II–B" ASSUMPTIONS, FISCAL YEARS 1980–90 [1]

[In billions]

Fiscal year	Income					Outgo				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI [2]	Total
1980	$100.1	$17.4	$117.4	$25.4	$142.8	$103.2	$15.3	$118.5	$24.3	$142.8
1981	121.6	13.0	134.6	32.9	167.4	122.3	17.3	139.6	29.3	168.8
1982	126.8	21.3	148.1	37.6	185.7	138.0	18.0	156.0	34.4	190.4
1983	146.4	19.0	165.5	37.2	202.7	153.0	18.8	171.8	39.5	211.3
1984	147.2	28.6	175.8	47.5	223.3	168.7	19.5	188.2	45.0	233.2
1985	163.5	35.3	198.8	53.1	251.9	186.5	20.9	207.5	50.6	258.1
1986	178.4	40.7	219.0	61.2	280.2	204.0	22.4	226.4	56.8	283.3
1987	191.4	44.9	236.4	67.3	303.7	221.9	23.8	245.7	64.7	310.5
1988	206.7	49.9	256.5	72.9	329.4	239.9	25.4	265.3	73.6	339.0
1989	221.1	54.8	275.9	78.0	353.9	258.5	27.1	285.7	83.5	369.1
1990	249.5	65.8	315.4	83.1	398.4	277.5	29.0	306.5	93.9	400.4

	Net increase in funds					Funds at end of Year					Assets at beginning of year as a percentage of outgo during year				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	−$3.2	$2.1	−$1.1	$1.1	([3])	$24.6	$7.7	$32.2	$14.5	$46.7	27	37	28	55	33
1981	−.7	−4.3	−5.0	3.6	−1.4	23.8	3.4	27.2	18.1	45.3	20	44	23	50	28
1982	−11.2	3.3	−7.9	3.2	−4.7	12.7	6.7	19.3	21.3	40.6	17	19	17	53	24
1983	−6.5	.2	−6.3	−2.3	−8.6	6.2	6.9	13.1	19.0	32.0	8	35	11	54	19
1984	−21.5	9.1	−12.4	2.5	−9.9	−15.3	16.0	.6	21.5	22.1	4	35	7	42	14
1985	−23.0	14.3	−8.7	2.5	−6.2	−38.4	30.3	−8.1	24.0	15.9	−8	76	([2])	42	9
1986	−25.7	18.3	−7.4	4.4	−3.0	−64.0	48.6	−15.5	28.4	12.9	−19	135	−4	42	6
1987	−30.5	21.1	−9.4	2.6	−6.8	−94.5	69.7	−24.8	30.9	6.1	−29	204	−6	44	4
1988	−33.2	24.4	−8.8	−.7	−9.5	−127.7	94.1	−33.6	30.2	−3.4	−39	274	−9	42	2
1989	−37.4	27.7	−9.7	−5.4	−15.2	−165.1	121.8	−43.4	24.8	−18.6	−49	347	−12	36	−1
1990	−28.0	36.9	8.9	−10.8	−1.9	−193.1	158.6	−34.5	13.9	−20.6	−60	420	−14	26	−5

[1] Includes effects of Tax Equity and Fiscal Responsibility Act of 1982. [2] Does not reflect the effects of the delay in periodic interim payments provided under P.L. 97–248. [3] Less than $0.1 billion.

Notes: 1. The income figures for 1983, and the end-of-year asset figures for 1983 and later, reflect the transfer of funds from the DI and HI Trust Funds to the OASI Trust Fund under the interfund borrowing authority provided by Public Law 97–123. Under this set of assumptions, a total of $11.6 billion would be transferred to OASI in 1983, $6.2 billion from DI and $5.5 billion from HI.

2. The estimated operations for OASI, OASDI, and OASDI and HI combined in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in July 1983 when assets would become insufficient to pay benefits when due. Similarly, the HI Trust Fund operations in 1991 are theoretical, since the fund would be depleted in 1991 under this set of assumptions.

TABLE 48.—ESTIMATED TRUST FUND OPERATIONS: 1982 TRUSTEES' REPORT PESSIMISTIC ASSUMPTIONS, FISCAL YEARS 1980–90 [1]

[In billions]

Fiscal year	Income					Outgo				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI [2]	Total
1980	$100.1	$17.4	$117.4	$25.4	$142.8	$103.2	$15.3	$118.5	$24.3	$142.8
1981	121.6	13.0	134.6	32.9	167.4	122.3	17.3	139.6	29.3	168.8
1982	126.8	21.3	148.1	37.6	185.7	138.0	18.0	156.0	34.4	190.4
1983	145.4	18.7	164.1	35.8	199.9	153.6	18.9	172.5	39.5	212.0
1984	141.1	27.7	168.8	46.0	214.8	171.9	19.9	191.8	45.2	237.0
1985	158.8	34.8	193.5	52.2	245.7	194.1	21.7	215.8	52.4	268.2
1986	175.2	40.9	216.1	61.1	277.2	217.7	23.7	241.4	61.1	302.5
1987	189.8	46.1	235.9	68.0	303.9	243.5	25.9	269.4	72.2	341.6
1988	206.9	52.2	259.1	74.5	333.6	270.7	28.3	299.0	85.1	384.1
1989	223.3	58.4	281.7	80.6	362.3	299.4	30.9	330.2	100.1	430.3
1990	255.1	71.6	326.7	86.7	413.4	329.8	33.7	363.5	117.0	480.4

	Net increase in funds					Funds at end of year					Assets at beginning of year as a percentage of outgo during year				
	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total	OASI	DI	OASDI	HI	Total
1980	−$3.2	$2.1	−$1.1	$1.1	(3)	$24.6	$7.7	$32.2	$14.5	$46.7	27	37	28	55	33
1981	−.7	−4.3	−5.0	3.6	−1.4	23.8	3.4	27.2	18.1	45.3	20	44	23	50	28
1982	−11.2	3.3	−7.9	3.2	−4.7	12.7	6.7	19.3	21.3	40.6	17	19	17	53	24
1983	−8.3	−.1	−8.4	−3.7	−12.1	4.4	6.5	10.9	17.6	28.5	8	35	11	54	19
1984	−30.8	7.8	−23.0	.7	−22.3	−26.4	14.3	−12.1	18.3	6.3	3	33	6	39	12
1985	−35.3	13.1	−22.2	−.2	−22.5	−61.7	27.4	−34.3	18.1	−16.2	−14	66	−6	35	2
1986	−42.5	17.2	−25.3	(2)	−25.3	−104.2	44.5	−59.6	18.1	−41.5	−28	115	−14	30	−5
1987	−53.7	20.2	−33.5	−4.2	−37.7	−157.9	64.8	−93.2	13.9	−79.2	−43	172	−22	25	−12
1988	−63.8	23.9	−39.9	−10.6	−50.5	−221.8	88.7	−133.1	3.4	−129.7	−58	229	−31	16	−21
1989	−76.1	27.6	−48.5	−19.5	−68.0	−297.9	116.3	−181.6	−16.1	−197.7	−74	287	−40	3	−30
1990	−74.7	37.9	−36.8	−30.3	−67.1	−372.5	154.1	−218.4	−46.4	−264.8	−90	345	−50	−14	−41

[1] Includes effects of the Tax Equity and Fiscal Responsibility Act of 1982. [2] Does not reflect the effects of the delay in periodic interim payments provided under Public Law 97–248. See covering memorandum for a more complete explanation. [3] Less than $0.1 billion.

Notes: 1. The income figures for 1983, and the end-of-year asset figures for 1983 and later, reflect the transfer of funds from the DI and HI Trust Funds to the OASI Trust Fund under the interfund borrowing authority provided by Public Law 97–123. Under this set of assumptions, a total of $12.4 billion would be transferred to OASI in 1983, $6.1 billion from DI and $6.3 billion from HI.

2. The estimated operations for OASI, OASDI, and OASDI and HI combined in 1983 and later are theoretical since, following the expiration of the present law interfund borrowing authority, the OASI Trust Fund would become depleted in July 1983 when assets would become insufficient to pay benefits when due. Similarly, the HI Trust Fund operations in 1989 and later are theoretical, since the fund would be depleted in 1989 under this set of assumptions.

TABLE 49.—OUTLAY REDUCTIONS REQUIRED IN THE NEAR-TERM TO BRING OASDHI RESERVES UP TO CERTAIN LEVELS [1]

[In billions]

	Outlay reductions required		
	CBO	1982 trustees' intermediate (II–B)	1982 trustees' pessimistic assumptions
Percent of 1 year's expenditures desired at beginning of 1986:			
9 percent (1 mo)	$18.0	$16	$49
13 percent	28.5	22	58
15 percent	33.7	30	64
20 percent	46.4	41	76
30 percent	70.9	63	97
50 percent (6 mo)	116.0	103	136
Percent of 1 year's expenditures desired at beginning of 1990:			
9 percent (1 mo)	66.8	60	221
13 percent	82.4	70	232
15 percent	90.1	73	236
20 percent	109.3	90	253
30 percent	146.8	126	293
50 percent (6 mo)	219.0	193	352

[1] Table includes the effects of the Tax Equity and Fiscal Responsibility Act of 1982. Target ratios are attained by even annual increments.

TABLE 50.—OUTLAY REDUCTIONS REQUIRED IN THE NEAR-TERM TO BRING OASDI RESERVES UP TO CERTAIN LEVELS [1]

[In billions]

	Outlay reductions required		
	CBO	1982 trustees' intermediate (II–B)	1982 trustees' pessimistic assumptions
Percent of 1 year's expenditures desired at beginning of 1986:			
9 percent (1 mo)	$35.4	$31	$59
13 percent	43.5	38	66
15 percent	47.4	42	69
20 percent	57.2	51	79
30 percent	75.8	68	96
50 percent (6 mo)	110.4	99	126
Percent of 1 year's expenditures desired at beginning of 1990:			
9 percent (1 mo)	65.9	62	184
13 percent	67.5	69	192
15 percent	73.3	73	196

TABLE 50.—OUTLAY REDUCTIONS REQUIRED IN THE NEAR-TERM TO BRING OASDI RESERVES UP TO CERTAIN LEVELS[1]—Continued

[In billions]

	Outlay reductions required		
	CBO	1982 trustees' intermediate (II–B)	1982 trustees' pessimistic assumptions
20 percent	$87.5	$87	$210
30 percent	115.5	110	230
50 percent (6 mo)	169.4	154	280

[1] Table includes the effects of the Tax Equity and Fiscal Responsibility Act of 1982. Target ratios are attained by even annual increments.

TABLE 51.—HISTORICAL LEVELS OF OASDI TRUST FUND ASSETS, ACTUAL AMOUNTS (1950–1981) [1]

[In billions]

Calendar year	Assets in the trust funds, end of year		
	OASDI	HI	OASDHI combined
1950	$13.7	([2])	$13.7
1960	22.6	([2])	22.6
1970	38.1	$3.2	41.3
1971	40.4	3.0	43.4
1972	42.8	2.9	45.7
1973	44.4	6.5	50.9
1974	45.9	9.1	[3] 55.0
1975	44.3	10.5	54.8
1976	41.1	10.6	51.7
1977	35.9	10.4	46.3
1978	31.7	11.5	43.2
1979	30.3	13.2	43.5
1980	26.5	13.7	40.2
1981	24.5	18.7	43.3

[1] Funds at end of year.
[2] HI (part A of medicare) enacted in 1965.
[3] The highest combined level of reserves (OASDHI) was reached in 1974.

Source: Various Trustees' reports since 1950.

Economic and Demographic Assumptions.—The following tables provide specific information concerning the economic and demographic assumptions which underlie the short- and long-range financial projections.

TABLE 52.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960–2055

Calendar year	Average annual percentage increase in—			Real-wage differential [2] (percent)	Average annual interest rate (percent)	Average annual unemployment rate (percent)
	Real GNP [1]	Average wages in covered employment	Consumer price index			
Past experience:						
1960–64	4.0	3.4	1.3	2.1	3.7	5.7
1965–69	4.4	5.4	3.4	2.0	5.2	3.8
1970–74	2.8	6.3	6.1	.2	6.7	5.4
1975–79	3.5	8.0	8.1	−.1	7.8	7.0
1970–80	2.8	7.3	7.7	−0.5	7.6	6.3
1970	−.2	4.9	5.9	−1.0	7.3	4.9
1971	3.4	4.9	4.3	.6	6.0	5.9
1972	5.7	7.3	3.3	4.0	5.9	5.6
1973	5.8	6.9	6.2	.7	6.6	4.9
1974	−.6	7.4	11.0	−3.6	7.5	5.6
1975	−1.1	6.6	9.1	−2.5	7.4	8.5
1976	5.4	8.2	5.7	2.5	7.1	7.7
1977	5.5	8.0	6.5	1.6	7.1	7.0
1978	4.8	8.2	7.6	.6	8.2	6.0
1979	3.2	8.8	11.5	−2.7	9.1	5.8
1980	−.2	8.6	13.5	−4.9	11.0	7.1
1981	2.0	8.7	10.3	−1.6	13.3	7.6
Alternative II–B:						
1982	−.8	6.6	6.9	−.3	13.0	9.1
1983	4.2	8.1	7.9	.2	11.4	8.5
1984	3.3	8.1	7.4	.7	9.3	8.0
1985	3.0	6.9	6.6	.3	8.0	7.7
1986	3.0	6.8	5.8	1.0	7.1	7.4
1987	3.0	6.6	5.5	1.1	6.8	7.1
1988	3.0	6.6	5.3	1.3	6.6	6.8
1989	3.0	6.4	4.9	1.5	6.5	6.4
1990	3.0	6.0	4.5	1.5	6.4	6.1
1995	2.5	5.5	4.0	1.5	6.1	5.0
2000	2.6	5.5	4.0	1.5	6.1	5.0

TABLE 52.—SELECTED ECONOMIC ASSUMPTIONS BY ALTERNATIVE, CALENDAR YEARS 1960–2055—Continued

Calendar year	Average annual percentage increase in—			Real-wage differential [2] (percent)	Average annual interest rate (percent)	Average annual unemployment rate (percent)
	Real GNP [1]	Average wages in covered employment	Consumer price index			
Alternative III:						
1982	−1.5	6.3	7.2	−.9	13.1	9.3
1983	.6	7.3	9.6	−2.3	12.3	9.8
1984	2.5	7.8	9.6	−1.8	10.5	9.6
1985	3.8	9.2	9.2	.0	9.4	8.8
1986	2.9	9.1	8.8	.3	8.8	8.4
1987	2.7	8.7	8.4	.3	8.3	8.0
1988	2.7	8.5	8.0	.5	8.1	7.7
1989	2.7	8.3	7.6	.7	7.8	7.3
1990	2.7	8.0	7.2	.8	7.6	6.9
1995	1.8	6.2	5.2	1.0	6.7	6.0
2000	2.1	6.0	5.0	1.0	6.6	6.0
CBO: [3]						
1982	−1.3	6.5	6.1	.4	11.3	9.3
1983	3.6	5.6	4.9	.7	11.0	8.8
1984	3.7	6.7	5.3	1.4	10.0	8.2
1985	3.7	7.0	5.8	1.2	8.9	7.8
1986	3.6	6.9	5.6	1.3	8.1	7.4
1987	3.5	6.8	5.4	1.4	7.7	7.1
1988	3.4	6.9	5.4	1.5	7.7	6.8
1989	3.2	6.5	5.3	1.2	7.6	6.6
1990	3.1	6.5	5.2	1.3	7.4	6.5

[1] The real GNP (Gross National Product) is the total output of goods and services expressed in constant dollars.

[2] The difference between the percentage increase in average annual wages in covered employment and the percentage increase in the average annual CPI.

[3] Preliminary CBO estimates. Estimates for 1982 through 1985 based on economic assumptions used for the September 1982 CBO budget update. Projections for the remainder of the period are based on economic assumptions representing a quick return to a noncyclical trend growth path which incorporates the average post World War II productivity growth rate of approximately 2 percent per year. CBO interest rate forecast is for 3-month Treasury bills.

Source: Office of the Actuary, SSA, and CBO.

TABLE 53.—COMPARISON OF OASDI BENEFICIARIES AND COVERED WORKERS, 1945–2060

Calendar year	Covered workers (in thousands)	Beneficiaries (in thousands)			Covered workers per OASDI beneficiary	Beneficiaries per 100 covered workers
		OASI	DI	Total		
Past experience:						
1945	46,390	1,106	.....	1,106	41.9	2
1950	48,280	2,930	.....	2,930	16.5	6
1955	65,200	7,563	.....	7,563	8.6	12
1960	72,530	13,740	522	14,262	5.1	20
1965	80,680	18,509	1,648	20,157	4.0	25
1970	93,090	22,618	2,568	25,186	3.6	28
1975	100,200	26,998	4,125	31,123	3.2	31
1980	[1] 114,300	30,384	4,734	35,118	[1] 3.3	[1] 31
Optimistic:						
1982	116,004	31,476	4,370	35,845	3.2	31
1985	126,557	33,028	4,047	37,075	3.4	29
1990	137,093	36,069	4,053	40,122	3.4	29
1995	141,637	37,609	4,249	41,858	3.4	30
2000	146,513	38,585	4,803	43,388	3.4	30
2005	151,749	40,066	5,506	45,572	3.3	30
2010	155,761	43,234	6,140	49,374	3.2	32
2015	158,066	48,449	6,552	55,001	2.9	35
2020	159,891	54,608	6,722	61,330	2.6	38
2025	162,842	60,782	6,612	67,394	2.4	41
2030	167,424	64,647	6,404	71,051	2.4	42
2035	173,020	66,058	6,419	72,477	2.4	42
2040	178,967	65,587	6,679	72,266	2.5	40
2045	184,936	65,452	7,045	72,497	2.6	39
2050	191,223	66,554	7,289	73,843	2.6	39
2055	198,021	68,258	7,451	75,709	2.6	38
2060	205,183	69,974	7,676	77,650	2.6	38
Intermediate II–B:						
1982	115,308	31,483	4,374	35,857	3.2	31
1985	123,300	33,106	4,061	37,167	3.3	30
1990	132,410	36,428	4,138	40,566	3.3	31
1995	137,644	38,408	4,486	42,894	3.2	31
2000	142,248	39,814	5,191	45,005	3.2	32
2005	146,798	41,725	6,028	47,753	3.1	33
2010	149,515	45,359	6,748	52,107	2.9	35
2015	150,148	51,048	7,198	58,246	2.6	39
2020	149,873	57,753	7,361	65,114	2.3	43
2025	150,205	64,542	7,207	71,749	2.1	48
2030	151,750	69,138	6,934	76,072	2.0	50
2035	153,889	71,277	6,882	78,159	2.0	51
2040	156,015	71,440	7,061	78,501	2.0	50
2045	157,777	71,824	7,304	79,128	2.0	50
2050	159,545	73,034	7,380	80,414	2.0	50
2055	161,573	74,313	7,364	81,677	2.0	51
2060	163,778	75,215	7,410	82,625	2.0	50

TABLE 53.—COMPARISON OF OASDI BENEFICIARIES AND COVERED WORKERS, 1945–2060—Continued

Calendar year	Covered workers (in thousands)	Beneficiaries (in thousands)			Covered workers per OASDI beneficiary	Beneficiaries per 100 covered workers
		OASI	DI	Total		
Pessimistic:						
1982	115,178	31,496	4,376	35,872	3.2	31
1985	121,330	33,255	4,079	37,334	3.2	31
1990	130,300	37,125	4,246	41,371	3.1	32
1995	135,944	40,013	4,714	44,727	3.0	33
2000	140,370	42,415	5,560	47,975	2.9	34
2005	144,254	45,360	6,510	51,870	2.8	36
2010	145,600	50,080	7,293	57,373	2.5	39
2015	144,295	56,934	7,759	64,693	2.2	45
2020	141,475	64,913	7,898	72,811	1.9	51
2025	138,631	73,154	7,683	80,837	1.7	58
2030	136,560	79,327	7,324	86,651	1.6	63
2035	134,724	83,133	7,172	90,305	1.5	67
2040	132,593	84,945	7,214	92,159	1.4	70
2045	129,844	86,866	7,252	94,118	1.4	72
2050	126,971	89,022	7,071	96,093	1.3	76
2055	124,339	90,398	6,796	97,194	1.3	78
2060	121,968	90,672	6,587	97,259	1.3	80

[1] Preliminary. Based on 1982 Trustees' Report.

TABLE 54.—POPULATION AND DEPENDENCY RATIOS BY BROAD AGE GROUP, CALENDAR YEARS 1960–2060

Calendar year	Population (in thousands)				Dependency ratio	
	Under 20	20–64	65 and over	Total	Aged [1]	Total [2]
Past experience:						
1960	73,116	98,687	17,146	188,949	0.174	0.915
1965	79,931	104,112	18,963	203,006	.182	.950
1970	80,637	112,500	20,655	213,792	.184	.900
1975	77,947	122,036	23,092	223,075	.189	.828
1976	77,039	124,145	23,635	224,818	.190	.811
1977	76,420	126,200	24,166	226,787	.191	.797
1978	75,545	128,416	24,724	228,685	.193	.781
1979	74,734	130,579	25,328	230,640	.194	.766
1980	74,045	132,731	25,892	232,668	.195	.753
Optimistic:						
1985	72,544	142,471	28,638	243,653	.201	.710
1990	74,692	148,834	31,599	255,125	.212	.714
1995	78,055	154,233	33,712	266,001	.219	.725
2000	81,414	160,063	34,651	276,127	.216	.725
2005	83,580	167,312	35,578	286,470	.213	.712

TABLE 54.—POPULATION AND DEPENDENCY RATIOS BY BROAD AGE GROUP, CALENDAR YEARS 1960–2060—Continued

Calendar year	Population (in thousands)				Dependency ratio	
	Under 20	20–64	65 and over	Total	Aged [1]	Total [2]
2010	86,178	173,139	38,171	297,488	.220	.718
2015	89,789	175,977	42,975	308,741	.244	.754
2020	94,000	176,948	48,767	319,715	.276	.807
2025	97,720	177,582	54,917	330,220	.309	.860
2030	100,879	180,157	59,479	340,514	.330	.890
2035	104,208	185,911	60,772	350,891	.327	.887
2040	108,086	193,160	60,211	361,457	.312	.871
2045	112,347	200,747	59,218	372,312	.295	.855
2050	116,557	207,264	59,915	383,735	.289	.851
2055	120,567	214,037	61,497	396,101	.287	.851
2060	124,619	221,831	63,166	409,616	.285	.847
Intermediate II–A and II–B:						
1985	72,252	142,531	28,773	243,556	.202	.709
1990	73,529	149,044	32,106	254,678	.215	.709
1995	75,506	154,640	34,745	264,891	.225	.713
2000	77,001	160,695	36,251	273,947	.226	.705
2005	76,957	167,890	37,719	282,566	.225	.683
2010	77,273	173,062	40,846	291,182	.236	.683
2015	78,570	174,678	46,225	299,473	.265	.714
2020	80,376	173,902	52,653	306,931	.303	.765
2025	81,720	172,107	59,539	313,366	.346	.821
2030	82,453	171,598	64,925	318,977	.378	.859
2035	83,151	173,803	67,044	323,997	.386	.864
2040	84,235	177,012	67,257	328,504	.380	.856
2045	85,604	180,037	66,922	332,562	.372	.847
2050	86,889	181,582	67,942	336,412	.374	.853
2055	87,921	183,192	69,293	340,406	.378	.858
2060	88,862	185,627	70,327	344,816	.379	.858
Pessimistic:						
1985	71,868	142,644	29,033	243,545	.204	.707
1990	71,993	149,425	33,080	254,498	.221	.703
1995	72,129	155,355	36,747	264,231	.237	.701
2000	71,141	161,776	39,409	272,327	.244	.683
2005	68,182	168,966	42,034	279,181	.249	.652
2010	65,598	173,318	46,337	285,252	.267	.646
2015	64,138	173,331	52,970	290,439	.306	.676
2020	63,283	170,229	60,755	294,268	.357	.729
2025	62,211	165,202	69,170	296,584	.419	.795
2030	60,641	160,684	76,250	297,575	.475	.852
2035	58,922	158,429	80,126	297,477	.506	.878

TABLE 54.—POPULATION AND DEPENDENCY RATIOS BY BROAD AGE GROUP, CALENDAR YEARS 1960–2060—Continued

Calendar year	Population (in thousands)				Dependency ratio	
	Under 20	20–64	65 and over	Total	Aged [1]	Total [2]
2040	57,538	156,715	82,119	296,372	.524	.891
2045	56,488	154,324	83,473	294,285	.541	.907
2050	55,486	150,147	85,728	291,361	.571	.941
2055	54,347	146,106	87,430	287,883	.598	.970
2060	53,134	142,999	88,048	284,181	.616	.987

[1] Population aged 65 and over as ratio to population aged 20–64.
[2] Population aged 65 and over plus population under age 20 as ratio to population aged 20–64.
Based on 1982 Trustees' Report.

TABLE 55.—HISTORICAL AND PROJECTED FUTURE CHANGES IN LIFE EXPECTANCY AT BIRTH, 1940 TO 2040 [1]

Year	Male (years)	Female (years)
Life expectancy of person born in:		
1940	61.1	65.6
1950	65.3	70.9
1960	66.7	73.4
1980	69.8	77.7
1982	70.4	78.3
2000	72.9	81.1
2020	73.8	82.1
2040	74.6	83.1

[1] Based on intermediate II–B assumptions contained in the 1982 trustees report.

TABLE 56.—HISTORICAL AND PROJECTED FUTURE CHANGES IN LIFE EXPECTANCY OF AN AGE 65 RETIREE, 1940 TO 2040 [1]

Year	Male (years)	Female (years)
Life expectancy of worker retiring at 65 in:		
1940	12.0	13.7
1950	12.7	15.0
1960	13.0	16.1
1980	14.3	18.7
1982	14.5	19.1
2000	15.8	21.1
2020	16.4	22.0
2040	17.0	22.8

[1] Based on intermediate II–B assumptions contained in the 1982 Trustees' report.

TABLE 57.—FERTILITY AND MORTALITY ASSUMPTIONS, 1960–2055

Calendar year	Total fertility rate [1]	Age-adjusted mortality rate [2]	
		Male	Female
Past experience:			
1960	3.61	12.56	8.17
1965	2.88	12.49	7.73
1970	2.43	12.18	7.22
1975	1.77	11.09	6.38
1976	1.74	10.94	6.32
1977	1.79	10.69	6.13
1978	1.76	10.61	6.10
1979	1.81	10.27	5.88
1980	1.84	10.27	5.88
1981	1.86	10.12	5.77
Optimistic:			
1982	1.89	10.12	5.76
1983	1.91	10.04	5.71
1984	1.93	9.97	5.65
1985	1.96	9.89	5.59
1990	2.07	9.57	5.36
1995	2.18	9.35	5.21
2000	2.29	9.24	5.14
2005 and later	2.40	9.15	5.09
Intermediate II–B:			
1982	1.87	9.97	5.65
1983	1.88	9.82	5.54
1984	1.89	9.67	5.43
1985	1.90	9.52	5.32
1990	1.95	8.91	4.89
1995	2.00	8.51	4.63
2000	2.05	8.31	4.50
2005 and later	2.10	8.16	4.41
Pessimistic:			
1982	1.83	9.69	5.46
1983	1.83	9.39	5.24
1984	1.82	9.10	5.03
1985	1.82	8.81	4.82
1990	1.79	7.73	4.07
1995	1.76	7.06	3.64
2000	1.73	6.72	3.45
2005 and later	1.70	6.49	3.31

Based on 1982 Trustees' Reports.

TABLE 58.—OASDHI OUTGO AS A PERCENT OF GNP,[1] 1982–2060

Year	Intermediate II–B assumptions			Pessimistic assumptions		
	OASDI	HI [2]	OASDHI [2]	OASDI	HI	OASDHI
1982	5.15	1.30	6.45	5.18	NA	NA
1985	5.03	1.18	6.21	5.26	NA	NA
1990	4.93	1.49	6.42	5.37	NA	NA
1995	4.75	1.90	6.65	5.32	NA	NA
2000	4.48	2.19	6.67	5.14	NA	NA
2005	4.36	2.50	6.86	5.08	NA	NA
2010	4.51	2.82	7.33	5.33	NA	NA
2015	4.92	3.05	7.97	5.89	NA	NA
2020	5.44	3.35	8.79	6.63	NA	NA
2025	5.90	3.67	9.57	7.37	NA	NA
2030	6.09	3.90	9.99	7.87	NA	NA
2035	6.05	3.97	10.02	8.13	NA	NA
2040	5.86	3.94	9.80	8.22	NA	NA
2045	5.70	3.84	9.54	8.35	NA	NA
2050	5.61	3.76	9.37	8.52	NA	NA
2055	5.54	3.68	9.22	8.61	NA	NA
75-year average: 1982–2056	5.27	3.04	8.31	6.69	NA	NA

[1] Based on 1982 Trustees' report, alternative II–B assumptions. Includes effects of the Tax Equity and Fiscal Responsibility Act of 1982.

[2] HI estimates prepared by staff of the National Commission on Social Security Reform.